

FIVE-YEAR IMPLEMENTATION PLAN

Fiscal Years 2012 to 2016

REDEVELOPMENT AGENCY
OF THE
CITY OF MERCED

Project Area No. 2
and
Gateways Project Area

Adopted: June 6, 2011

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INTRODUCTION

California Redevelopment Law requires adoption of an Implementation Plan during project approval and subsequent adoption of a five-year Implementation Plan (Section 33490). The purpose of this new requirement is to provide a monitoring device to ensure that redevelopment activities are linked to the elimination of blight. Section 33490 sets forth the time line for adoption of Implementation Plans, the procedures for adoption and review, and specifies the contents of these plans.

At least once during the five-year term of an Implementation Plan, between two to three years after adoption, the Agency must hold a public hearing to review the redevelopment plan and its corresponding Implementation Plan in order to evaluate the progress of the redevelopment project.

The Five-Year Implementation Plan includes programs, potential projects, goals and objectives for Project Area No. 2 and the Gateways Project Area. The programs and potential projects of the Plan will be targeted to commercial development, public improvements and facilities, and industrial development. Residential projects, goals and objectives for both Project Area No. 2 and the Gateways Project Area are identified in the housing portion of the plan.

As set forth in Section 33490, an Implementation Plan must contain the following:

- Specific goals and objectives for the next five years.
- Specific projects and expenditures planned for the next five years.
- An explanation of how the goals, objectives, projects and expenditures will eliminate blight.
- An explanation of how the goals, objectives, projects and expenditures will implement the low and moderate income housing set-aside and housing production requirements set forth in Section 33334.2, 33334.4, 33334.6, and 33413 of the Health and Safety Code. This explanation must contain a housing program for each of the five years of the Implementation Plan in enough detail to measure performance.
- The number of housing units to be rehabilitated, price-restricted, assisted or destroyed.
- Plans for using annual deposits to the Housing Fund.
- If a planned project will result in destruction of existing affordable housing, an identification of proposed locations for the replacement housing the agency will be required to produce pursuant to Section 33413 of the Health and Safety Code.
- The project area affordable housing production plan (AB 315 plan) required by Section 33413(b)(4) of the Health and Safety Code.

The Implementation Plan reflects projects, actions and expenditures for five years of project implementation.

Over the next five years approximately \$4,600,000 may be available in the low/moderate housing fund and \$6,700,000 for non-housing projects in Project Area No. 2, and \$800,000 in Gateways Project Area low/moderate housing fund and \$1,750,000 for non-housing projects.

GOALS, OBJECTIVES AND ACTIVITIES

The Redevelopment Agency of the City of Merced was created in 1957. Three project areas have been established to meet the goals and objectives of the Agency. The first project area (Project Area No. 1) expired in December 1991, after a 30-year life. The second project area (Project Area No. 2) is effective for 42 years, expiring in August 2016. The third project area (Gateways Project Area) is effective for 31 years, expiring in July 2027. The Agency uses tax increment financing as well as other local, state, and federal funds as they become available to pay for projects that assist in meeting the overall goals of the Agency. Tax increment remains the primary viable means of financing redevelopment programs and projects. On January 31, 2011, the Redevelopment Agency contracted with the City of Merced Public Financing and Economic Development Authority to carry out the projects identified in the Agency's adopted five year plan.

The overall goal of the Redevelopment Agency of the City of Merced is to eliminate blight and increase affordable housing by removing constraints to private investment and ensuring continued growth of industrial, commercial and residential development.

The goals of Project Area No. 2 are to:

- Strengthen entertainment, retail and other commercial functions in downtown by creating sites for major entertainment and comparison retail facilities and related commercial uses;
- Strengthen the economic base of the Project Area and the community by installing needed site improvements in the industrial areas thereby stimulating new industrial expansion and resulting in employment and economic growth;
- Eliminate blighting influences, including deteriorating buildings, incompatible and economically infeasible land uses, obsolete structures, and other environmental, economic and social deficiencies;
- Improve the overall appearance of downtown buildings, streets, parking areas and other facilities, public and private;
- Enhance connections between the downtown and the community and state to enhance the economic viability of the project area;
- Provide adequate streets and frontage improvements to improve pedestrian and/or vehicular circulation;
- Provide adequate land for parking and open spaces;
- Enhance the role of the central area of Merced by strengthening the civic, community, and cultural functions within the central area;
- Preserve artistically, architecturally and historically worthwhile structures and sites;
- Establish and implement performance criteria which assure the highest site design standards and environmental quality and other design elements which provide unity and integrity to the entire project area;
- Strengthen the attraction of the downtown area in the vicinity of the Project Area for housing.

The goals of the Gateways Redevelopment Plan are to:

- Eliminate conditions of blight.
 - By providing needed public improvements;
 - By encouraging rehabilitation and repair of deteriorated structures;
 - By facilitating land assembly and development which will result in housing opportunities, employment opportunities and an expanded tax base;
 - By promoting development in accordance with the City of Merced General Plan.
- Increase the amount of affordable housing.

- Enhance the quality of all housing throughout the project area.

By encouraging and facilitating economic development, the Agency is able to capture increased revenues through property tax increases, known as tax increment. Through tax increment, the Agency is able to offer incentives to existing business and property owners to improve their property, thus eliminating blight. Tax increment money also allows the Agency to provide public improvements. The intended result of the Agency's efforts is to provide jobs and affordable homes for Merced residents and a clean, safe and attractive place for all to live.

Project Area No. 2

The Redevelopment Plan for Merced Redevelopment Project Number 2 was adopted on August 5, 1974. Project Area No. 2 generally encompasses the downtown area and industrial properties to the west of the community. The area has four points of access to Highway 99. The Project Area consists of approximately 710 acres. Over 85% of the Project Area is developed, with a mixture of residential, commercial and industrial land uses. The Project Area contains an estimated eighty single-family dwellings and twenty-seven multifamily dwellings. Commercial development is proceeding throughout the Project Area. Limited new residential construction has occurred without the assistance of the Redevelopment Agency. Nominal portions of the undeveloped land within the Project Area are zoned for residential use. It is expected that cooperative efforts between the Agency and private developers will result in additional properties being made available for residential and commercial projects.

The objectives for Project Area No. 2 are to be accomplished by acquiring land, when reasonable, provide financial assistance, when possible, and assisting in the development process. The objectives are to:

- Provide needed public improvements;
- Mitigate the disuse and under utilization of lands caused by irregular and unusual parcelization patterns;
- Provide for the rehabilitation of deteriorated commercial, industrial and residential structures, correct adverse impacts caused by shifting uses;
- Eliminate traffic and circulation deficiencies and enhance transportation options; and
- Generally provide for economic development in the project area.

Five Year Projects

Proposed programs and projects for the Project Area are listed in the three following subsections. Each of these programs may involve multiple projects. The listing of these individual projects is intended to be illustrative, rather than exhaustive.

Project Area as a Whole

1. Continue the Facade Improvement Program to promote exterior building renovation and improvements;

2. Continue to provide information on historic preservation;
3. Continue to assist property owner(s) and realtors by marketing available commercial, residential and industrial sites through the redevelopment and economic development network;
4. Continue to provide and/or reconstruct public improvements and public facilities to accommodate growth;
5. Continue to encourage development and/or rehabilitation of land and buildings by
 - i. Using available tools to assist developer(s) and property owner(s); and
 - ii. Marketing and promoting the development of the project area.
6. Continue to invest in affordable housing units within the Project Area.

City Center (Downtown Core Area)

The Agency Commission has given policy direction to emphasize activities in the "City Center": that area generally located east of "O" Street, south of W. 19th Street, west of Martin Luther King Jr. Way and north of the Southern Pacific Railroad tracks. The following proposed programs and projects are in addition to those listed for the project area as a whole:

1. Demolish and replace or rehabilitate structures to maintain economic viability, and facilitate parking (public and private), transit and open spaces in the City Center;
2. Encourage in-fill and transit oriented development by using tools available to assist developer(s) and/or property owner(s);
3. Provide public improvements as needed to accommodate pedestrian and vehicular circulation;
4. Market and promote the City Center.

Western Industrial Area

Similarly, the Agency Commission has placed policy emphasis on industrial development. The Western Industrial Area includes property generally located east of Black Rascal Creek, south of the Santa Fe Railroad tracks, west of Highway 59, and north of Ashby Road. The following proposed programs and projects are in addition to those listed for the entire project area:

1. Assist industries locating in the area.

Gateways Project Area

The Redevelopment Plan for Merced Gateways Redevelopment Project was adopted on July 8, 1996. The Gateways Project Area generally encompasses the portions of the Airport Industrial Park and the Santa Fe Industrial Park, commercial corridors in the community that run parallel to State Highway 99, Highway 140, and Highway 59, and residential areas south of Highway 99 and southeast of Highway 140. In July 2000, the Gateways Project Area was amended to add 45

acres of developed industrial land in the Airport Industrial Park. The Project Area was amended again in 2005 to add 1239 acres of land in south and central Merced. The project area now consists of approximately 2983 acres. Over 94% of the Project Area is developed, with a mixture of residential, commercial and industrial land uses. Commercial development is slowly proceeding throughout the Project Area. It is expected that cooperative efforts between the Agency and private developers will result in additional properties being made available for residential and commercial projects.

The objectives for the Gateways Project Area are to be accomplished by acquiring land, when reasonable, provide financial assistance, when possible, and assisting in the development process. The objectives are:

- Development of a balanced approach for the improvement of arterial gateways, neighborhood revitalization and economic development.
- Expansion and diversification of the community's economic and employment base, through the facilitation of more year-round employment opportunities, including industrial development and expansion.
- Improvement and revitalization of the community's central business district.
- Enhancement of the aesthetic qualities of Yosemite Park Way, Martin Luther King, Jr. Way, the historic downtown area, and the State Highway 99 Corridor to enhance commercial development.
- Recapture of general retail sales leakage from the City of Merced to other trade centers.
- Increasing the capture of potential commercial trade originating from traffic on State Highway 99, State Highway 140, and State Highway 59.
- Improvement of circulation throughout the Project Area, including better access of developable properties and development of alternative transportation methods..
- Improvement in the quality of the community's existing housing stock, through rehabilitation, reconstruction and new construction programs.

Using one or a combination of the implementation actions set forth in the Redevelopment Plan for the Gateways Project Area, the Agency expects to proceed on the projects listed below within the next five years. Improvements and land uses will be in conformance with the City of Merced General Plan, and the City of Merced Zoning Ordinance. In the event the General Plan is amended the provisions of the Redevelopment Plan and Five Year Implementation Plan shall also be amended for consistency.

Five-Year Projects

Proposed programs and projects the Agency desires to accomplish within the next five years are listed below. Each of these programs may involve multiple projects. The listing of these individual projects is intended to be illustrative, rather than exhaustive.

1. Continue the housing façade improvement program funded by the LMI Fund, with priority given to areas around McNamara Park and the Midtown District.
2. Continue the Commercial Façade Improvement Program.
3. Continue purchasing and renovating or providing renovation loans and or grants to improve the housing stock, with priority given to areas around McNamara Park and the Midtown District.
4. Encourage and participate as necessary in industrial development projects, particularly in the University and Airport Industrial Parks.
5. Establish additional utility underground districts on key Gateways arterials.
6. Develop initial Gateways public improvement/beautification projects, especially on King Way and Yosemite Park Way; these projects are expected to cover only minor areas.
7. Carry out other new housing projects in key areas, in concert with private owners and developers.
8. Encourage and participate in commercial development projects as opportunities are presented, with emphasis on Gateway's arterials.
9. Work with Caltrans in accomplishing key interchange, bridge, and/or arterial projects, making use of State funding opportunities to the maximum degree possible.
10. Enhance public open space throughout the project area.

BLIGHT

Project Area No. 2

The City of Merced Redevelopment Plan and Project Area formation was initiated prior to the enactment of AB 1290, so blight criteria are based on the pre-AB 1290 definition. This definition states a blighted area is one which is characterized by one or more of those conditions set forth in Section 33031 and 33032 of the California Community Redevelopment Law, causing a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social, or economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise acting alone. The following is section 33031 and 33032 as it appeared prior to the adoption of AB 1290.

Section 33031. Characteristics of blighted area; unfit and unsafe buildings.

A blighted area is characterized by the existence of buildings and structures, used or intended to be used for living, commercial, industrial, or other purposes or any combination of such uses, which are unfit or unsafe to occupy for such purposes and are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime because of any one or a combination of the following factors:

- Defective design and character of physical construction.
- Faulty interior arrangement and exterior spacing.
- High density of population and overcrowding.
- Inadequate provision for ventilation, light, sanitation, open spaces, and recreation facilities.
- Age, obsolescence, deterioration, dilapidation, mixed character, or shifting of uses.

Section 33032. Definition of economic dislocation, deterioration, or disuse.

A blighted area is characterized by properties which suffer from economic dislocation, deterioration, or disuse because of one or more of the following factors which causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social, or economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise acting alone:

- The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.
- The laying out of lots in disregard for contours and other topography or physical characteristics of the ground and surrounding conditions.
- The existence of inadequate public improvements, public facilities, open spaces, and utilities which cannot be remedied by private or governmental

action without redevelopment.

- A prevalence of depreciated values, impaired investments, and social and economic maladjustment.

Blight Elimination

The Agency is required to determine how proposed programs and projects will assist in the elimination of blight. Below is a list of the identified projects and programs and an explanation of how they will work to eliminate blight within the redevelopment project areas.

Projects and Programs	Illustrative Potential Projects	Blight Elimination
Continue the Façade Improvement Program		Aid the private sector in improving building facades. Encourage investment in significant structures to eliminate deterioration, dilapidation, and disuse.
Continue to provide information on Historic Preservation		Encourage investment in significant structures to eliminate deterioration, dilapidation and enhances the characteristics of the project area.
Continue to assist property owner(s) and realtors by marketing available commercial and industrial sites through redevelopment and economic development networks	<ul style="list-style-type: none"> - 16th Street - Western Industrial Park - Main Street - Merced Center 	Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.
Continue to encourage development and/or rehabilitation of land and buildings by utilizing available tools to assist developer(s) and property owner(s)	<ul style="list-style-type: none"> - Downtown Entertainment Complex - High Speed Rail Station - TOD Developments - I through MLK on 16th Street - 15th Street between O & R - Merced Center - Merced Theatre - Hotel Tioga - Shaffer Building 	Increases the potential to develop property that was previously considered undesirable due to irregular shape of lot, inadequate size, or contour and other topography or physical characteristics of the ground and surrounding conditions. Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.
Continue to provide and/or reconstruct public improvements, public facilities to accommodate growth	<ul style="list-style-type: none"> - High Speed Rail Station - 18th Street Improvements - Extension of Downtown streetscape - Highway Off-Ramp Improvements - Highway 59 Improvements - Storm Drainage Projects - Alley Improvements - King Way Entrance - 15th & 16th between G & R 	Eliminates the existence of inadequate public improvements, public facilities, open spaces, and utilities, which cannot be remedied by private or governmental action without redevelopment.
Continue to invest in affordable housing units within the Project Area	<ul style="list-style-type: none"> - TOD Housing - Midtown Projects 	Provides affordable, quality housing for residents, increases customer base for project area businesses.

Programs	Illustrative Potential Projects	Blight Elimination
Market and promote the City Center		Increases the demand for development within the City Center, which will create employment opportunities, increase property valuation, and enhance investment.
Demolish and replace or rehabilitate structures to maintain economic viability, facilitate parking (public and private), transit and open spaces in the City Center	<ul style="list-style-type: none"> - Central Hotel - Merced Center - Four Corners @16th/MLK - Shaffer Building - Hotel Tioga - El Capitan Hotel - Bob's Foreign Auto - 16th Street Hotels 	Eliminates blighted buildings, promotes the existence of inadequate public improvements, public facilities, open spaces, transit systems and utilities which cannot be remedied by private or governmental action without redevelopment.
Provide public improvements as needed to accommodate pedestrian and vehicular circulation	<ul style="list-style-type: none"> - Simpson's Walkthrough - 16th Street walkway - MLK improvements 	Eliminates the existence of inadequate public improvements, public facilities, open spaces, and utilities which cannot be remedied by private or governmental action without redevelopment.
Encourage in-fill and transit oriented development by using tools to assist developer(s) and/or property owner(s)	<ul style="list-style-type: none"> - Downtown Condos - Merced Center - Midtown Housing Developments 	Increases the potential to develop property that was previously considered undesirable due to irregular shape of lot, inadequate size, or contour and other topography or physical characteristics of the ground and surrounding conditions. Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.
Assist industries locating in the area		Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.

Gateways Project Area

The City of Merced Gateways Redevelopment Plan and Project Area were adopted in July 1996. The definition of a blighted area is one which constitutes physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of the community and of the state. It is further characterized by one or more of those conditions set forth in Section 33031. The following is section 33030 and 33031 as it appears in the Health and Safety Code.

Section 33030. *Blighted Areas.*

- a) It is found and declared that there exist in many communities blighted areas, which constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.
- b) A blighted area is one that contains both of the following:
 - 1) An area that is predominantly urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of these areas to such an extent that it constitutes a serious physical and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.
 - 2) An area that is characterized by either of the following:
 - A) One or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.
 - B) The condition described in paragraph (4) of subdivision (a) of Section 33031.
- a) A blighted area may also be one that contains the conditions described in subdivision (b) and is, in addition, characterized by the existence of inadequate public improvements, parking facilities, or utilities.

Section 33031. *Further Characterization of Blighted Area; Condition of Buildings.*

- a) This subdivision describes physical conditions that cause blight:
 - 1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
 - 2) Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
 - 3) Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.
 - 4) The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.
- b) This subdivision describes economic conditions that cause blight:
 - 1) Depreciation or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459).

- 2) Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.
- 3) A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
- 4) Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.
- 5) A high crime rate that constitutes a serious threat to the public safety and welfare.

Alleviation of Blighting Conditions

Successful implementation of the proposed Redevelopment Plan will specifically address and alleviate the detrimental physical and economic conditions in the Project Area and will, consequently, act to correct and minimize the blighting influences of these conditions as they are defined in the Health and Safety Code.

Proposed renovation and revitalization of the community's key commercial districts and the housing rehabilitation and enhancement element of the Plan will address and help correct conditions preventing or hindering the effective use or capacity of buildings or lots. Agency disposition of consolidated parcels as packaged development sites will also serve to alleviate irregular parcelization in the Project Area. The creation of a community environment conducive to the attraction and operation of new industry, with the consequent introduction of net new jobs and income into the local economy, will beneficially affect the community's commercial areas, enhance the viability of local investments, and result in increased property values. Residential overcrowding will be addressed and corrected through the various low- and moderate-income housing replacement and rehabilitation programs which will be implemented through the redevelopment process.

The Agency is required to determine how proposed programs and projects will assist in the elimination of blight. Below is a list of the identified projects and programs and an explanation of how they will work to eliminate blight within the redevelopment project areas.

Program	Illustrative Potential Projects	Blight Elimination
Continue the housing façade improvement program funded by the LMI Fund, with priority given to areas around McNamara Park and the Midtown District.		Rehabilitate blighted structures and reinvest in neighborhoods with structurally sound buildings.
Continue the Façade Improvement Program		Aid the private sector in improving building facades. Encourage investment in structures to eliminate deterioration, dilapidation, mixed character, or shifting uses.

Program	Illustrative Potential Projects	Blight Elimination
Provide Information on Historic Preservation		Encourage investment in significant structures to eliminate deterioration, dilapidation, mixed character, or shifting uses.
Assist property owner(s) and realtors by marketing available commercial and industrial sites through the redevelopment and economic development network	- Airport Industrial Park	Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.
Encourage and participate as necessary in industrial development projects, particularly in the University and Airport Industrial Parks	- Various projects throughout industrial parks	Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.
Develop initial Gateways public improvement/beautification projects, especially on King Way and Yosemite Parkway; these projects are expected to cover only minor areas	- Yosemite Park Way - Martin Luther King Jr. Way - Parsons Avenue - 13 th Street - Hwy. 59/Childs Ave. Intersection - Alley Improvements - Central Merced residential area	Eliminates the existence of inadequate public improvements, public facilities, open spaces, and utilities, which cannot be remedied by private or governmental action without redevelopment.
Encourage and participate in commercial development projects as opportunities are presented, with emphasis on Gateways arterials	- Southeast Neighborhood Center (Parsons Ave/Yosemite Park Way) - Southwest Neighborhood Center (Childs Ave& Parsons/Hwy 59) - 13 th Street Redevelopment - Motel Drive Redevelopment - Freeway Oriented Development - South Highway 59 Redevelopment - Hwy 99 to 15 th Street/O to R Streets - 15 th to Main Streets/MLK to M Streets - Old K-Mart Center/House of Furniture	Increases job opportunities and the tax basis. Also reduces blight by eliminated vacant and substandard buildings.
Work with Caltrans in accomplishing key interchange, bridge, and/or arterial projects, making use of State funding opportunities to the maximum degree possible	- Highway 99 Interchange Improvements - Yosemite Park Way - Martin Luther King Jr. Way - Parsons Ave. Extension	Eliminates the existence of inadequate public improvements, public facilities, open spaces, and utilities, which cannot be remedied by private or governmental action without redevelopment.
Establish additional utility underground districts on key Gateways arterials and around community facilities	- Parsons Avenue - G Street - North Highway 59 - Childs Avenue - South R Street	Eliminates the existence of inadequate public improvements, public facilities, open spaces, and utilities, which cannot be remedied by private or governmental action without redevelopment.

Program	Potential Projects	Blight Elimination
Continue purchasing and renovating or providing renovation loans and or grants to improve the housing stock, with priority given to areas around McNamara park and the Midtown District		Rehabilitate blighted structures and reinvest in neighborhoods with structurally sound buildings.
Carry out other new housing projects in key areas, in concert with private owners and developers.	- Highway 59 & Cooper Avenue Housing Development	Provides high quality, affordable housing to area residents, enhances economic prosperity
Enhance public open space throughout the project area	- Downtown Open Space - Youth Sports Complex enhancements	Enhances the liveability of neighborhoods, enhances property values throughout the project area
Encourage in-fill development by using tools available to assist developer(s) and/or property owner(s)	- Southeast Neighborhood Center - 13 th Street Development - 15 th to 16 th Street/Canal to M Streets - Various residential lots through project area	Increases the potential to develop property that was previously considered undesirable due to irregular shape of lot, inadequate size, or contour and other topography or physical characteristics of the ground and surrounding conditions. Increases the marketability of available property, which will create employment opportunities, increase property valuation, and enhance investment.

METHODS OF FINANCE

A redevelopment agency may finance the public costs of redevelopment through a wide variety of financing techniques. A redevelopment agency can issue bonds and borrow money from private or public sources to finance its activities if it can satisfactorily demonstrate an ability to repay such obligations. The indebtedness of a redevelopment agency is not an obligation of the City, and the incidence of such indebtedness by a redevelopment agency does not require a public vote because it is not a pledge of general tax revenues. The following is a summary of financing methods available to redevelopment agencies.

Tax Increment Financing

Tax increment financing is a constitutional amendment approved by California voters in the early 1950's. It is the principal method of financing the public costs of redevelopment. Ad valorem property taxes generated from the increases in assessed valuation created by new development that takes place in the redevelopment project area is the source of tax increment revenue. The assessed valuation at the time the redevelopment plan is adopted becomes the base year value and is frozen at that level for the fiscal year following adoption of a redevelopment plan. The taxes generated by the assessed valuation that exceeds the base year level, known as tax increment, is paid to the redevelopment agency for repayment of the debt incurred by the agency in connection with redeveloping the project area.

Federal Grants

Community Development Block Grants allow local communities broader discretion in the administration of community development funds. Eligible activities include acquisition of property, clearance and demolition, relocation, public facilities and historical preservation. The funds must be targeted to specific areas to benefit low and moderate-income persons or eliminate slums and blight. The City of Merced receives funds from CDBG, which have not traditionally been used for redevelopment. However, the "HUD 108" loan program allows borrowing using future CDBG grants as a guarantee. This program may be an opportunity for low-cost project borrowing.

Economic Development Administration (EDA) program funding in economically distressed communities for public works range from drainage to parking facilities in redevelopment projects. The EDA has also had a number of specialized programs for business development assistance and special economic impact areas. EDA's primary focus is on industrial projects.

The Merced Redevelopment program does not anticipate or rely upon any federal grant funding over the five-year period of the Plan, although all funding opportunities will be pursued.

Special Assessment Districts

Special assessment districts have been used to fund public improvements that benefit private development. Such assessments are placed upon the benefited property and the costs are not borne by the redevelopment agency. California courts have determined that special assessment districts remain a legal means to fund such improvements. However, Proposition 218 now requires a weighted vote of the affected property owners to implement a district.

Mello-Roos Community Facilities District

A community facilities district formed pursuant to the Mello-Roos Community Facilities Act of 1982 may be used to provide for the purchase, construction, expansion or rehabilitation of any real or other tangible property with an estimated useful life of at least five (5) years, which is necessary to meet increased demands placed upon local agencies as the result of development or

rehabilitation occurring within the district. A community facilities district may be created by a duly adopted resolution of the legislative body of the district. The District may then levy a special tax to finance the cost of providing authorized services and related facilities.

Tax Allocation Bonds

Redevelopment bonds are issued to provide long term financing for redevelopment activities. Usually, when sufficient tax increment has been generated to support an issue, bonds are issued to finance project activities. Redevelopment bonds are secured 100% by tax increment revenue.

State Sources of Funding

State grants are available through various programs to fund improvements to state highways and related intersections. The Agency may receive revenues from this source as three state highways eligible for such funding pass through Merced.

Rule 20-A Funding

The Public Utilities Commission established a program to fund the undergrounding of overhead utilities. The funds are allocated annually to the electric utility companies and further disbursed to their various districts. Cities and counties are required to direct the spending of these annual funds within their respective jurisdictions. The Agency may direct spending of these Rule 20-A funds to underground utilities within the project area.

State Infrastructure Bank

The State is operating a low-interest loan program available to public entities for the improvement of infrastructure in their communities. The Agency has made application to fund a public parking structure, and may use this funding source for other eligible projects.

Other Grants and Private Support

The Agency may apply for other grants through federal, state, regional, or local organizations. The Agency may also receive private support for specific public facility projects. For example, the Agency accepted private donations for development of the Senior Community Center, MultiCultural Arts Center, and McCombs Youth Center.

Developer Funding Assistance to Agencies

Redevelopment agency financial requirements are similar to those of the private sector. Redevelopment agencies need to generate working capital and demonstrate the ability to support long-term financing. Some of the ways in which developers have assisted agencies in meeting these requirements include the following:

Loans and Advances

Developers may advance or loan working capital to redevelopment agencies for preliminary redevelopment activities. Generally, the developer is at risk with these advances and will be repaid only if the project goes forward.

Purchase Price of Properties Involved

In most cases, the purchase price for redevelopment sites are paid by developers at the time that title is conveyed by the redevelopment agency. In certain cases, an advance payment of the purchase price is made in order to provide the agency with necessary working capital to acquire

or prepare the site for development. Where the development problem has been site assembly, rather than cost of land, developers have advanced and paid all agency costs to acquire the site.

The agency anticipates that land sales to developers will occur over the five-year period.

Rental Payments

Rental payments by developers take two forms: a lease of land from the redevelopment agency or a lease of public facilities, such as parking or other public facilities. A lease of land may be short-term or long-term and for nominal or market rents, depending on the economics of the proposed development. A lease of public facilities will generally be for the dual purpose of creating annual rental income to the redevelopment agency while shifting operation and maintenance costs to the development. Parking structures providing facilities have been leased in this manner to developers in major projects with regional shopping centers.

The Redevelopment Agency currently leases land and facilities to developers and private parties, and anticipates revenues from this source over the five-year period.

Participation: Percentage of Future Cash Flows

A fairly new concept is the contractual right of a redevelopment agency to participate in a percentage basis of the future profits or cash flow from a redevelopment project above a certain level. This provides a degree of flexibility for a redevelopment agency and a developer to arrive at a fair consideration for the redevelopment opportunity.

The Agency has entered into agreements that provide for future cash flow sharing and expects to receive revenues from this source over the five-year period.

Tax Increment Guarantees

The willingness or ability of a redevelopment agency to incur project financial obligation for a specific development may be based on the projection that the development will produce tax increments in a certain amount within a definite period of time. As an inducement to the redevelopment agency to proceed with its part of the development activities, such as paying for the costs of public facilities to serve the development, a developer may agree to guarantee to the redevelopment agency the receipt of tax increments from the development in the amount and by the time projected.

LOW AND MODERATE INCOME HOUSING

Goals and Objectives

Project Area No. 2

The Redevelopment Project's continuing goal is to develop affordable low-moderate income housing within the community, while also eliminating blight whenever possible.

Twenty percent of the Project Area's tax increment income is dedicated to affordable housing. In addition, repayments of Low/Moderate Income (LMI) loans and property sales revenues will be dedicated to housing projects over the five-year period.

The funding set-aside in the Low/Moderate Income Fund (LMI) for housing projects must be spent within the city limits. Project Area No. 2 has a limited number of housing units within its boundaries as only one percent (1%) of the total acreage is zoned for residential use. Therefore, a priority has been established for spending LMI funds:

1. within the immediate and surrounding vicinity of Project Area No. 2 (Central Merced, Main Street), with emphasis on neighborhoods close to downtown (Midtown District);
2. within the Gateways Redevelopment Project Area (South and Southeast Merced); and
3. within the Merced city limits.

Gateways Project Area

The Redevelopment Project's goal is to develop more affordable housing and promote rehabilitation in the Project Area, while also eliminating blight whenever possible. The Agency desires to improve the quality of the community's existing housing stock, through rehabilitation, reconstruction and new construction programs. The Redevelopment Project's on-going goal is to develop housing in compliance with current legislation and with available Project resources.

Twenty percent of the Project Area's tax increment income is dedicated to affordable housing. In addition, any repayments of Low/Moderate Income (LMI) loans and property sales revenues will be dedicated to housing projects over the five-year period. Additionally, investments from Project Area No. 2 LMI funds may be located in the Gateways Project Area.

Projects and Expenditures for the Next Five Years

- Five-Year Housing Program

Project Area No. 2

1. A substantial portion of current housing set-aside funds is budgeted towards the construction of a new affordable housing development on North Highway 59. The 2011/12 budget includes \$3,000,000 for this project.
2. Funding from Project Area 2 is also being used for the completion of a Midtown Residential Development and Façade Improvements, most of which occur in the Gateways Project area.

3. Housing set-aside money from the Merced Redevelopment Project Area No. 2 will be made available for various new housing projects, within Project Area 2 including the Merced Center Project, Main Street Housing Developments and Entertainment Center Housing Development.

Gateways Project Area

1. A large portion of current housing set-aside funds are pledged toward the construction of 75 units of affordable housing on Highway 59 and Cooper Avenue. The 2011/12 budget includes approximately \$1,500,000 for this project.
2. The Agency will operate its Residential Façade Improvement Program, New Rental Construction Program, Land Acquisition Program, and Relocation Program. Given the need for housing rehabilitation, the Agency has dedicated a significant portion of its Housing fund for housing rehabilitation activities.

How Goals and Objectives, Projects and Expenditures will Implement the Affordable Housing Requirements of Redevelopment Law

- Increase, Improve and Expand the Supply of Low and Moderate Income Housing

The housing to be developed and/or rehabilitated as described above will require approximately \$4.5 million in funds from the Merced Redevelopment Project Area No. 2 and approximately \$800,000 from the Gateways Housing Set-aside Funds to increase, improve and expand the community's supply of low and moderate income housing. All the housing described above will be subject to recorded covenants that will restrict the housing to low, moderate or very low income persons or families at affordable rents for the longest feasible time but not less than 55 years for rental units or 45 years for owner-occupied units.

- Proportion of Very Low, Low and Moderate Income Housing

For the next ten years, the Agency's plan is that the housing units to be developed or rehabilitated will be affordable to very low, low or moderate income households in the following proportions: not less than 29 percent low income and not more than 19 percent moderate income. The proportion of very low and low-income units matches or exceeds the respective unmet need for affordable housing for those groups in the City of Merced. Therefore, expenditures to assist housing for persons of low and very low income will be in at least the same proportion as the total number of housing units needed for those income groups which are not being provided by other governmental programs within Project Area No. 2 and the Gateways Project Area.

The adopted Housing Element establishes the anticipated housing needs by income group for Merced for 2012 to 2016. It seeks to equalize the distribution of household incomes in the community. The Merced County Association of Governments (MCAG) produced the housing need figures by income group as follows: 24 percent very low income; 18 percent low income; 19 percent moderate income; and 39 percent above moderate income. These percentages were used to establish the proportions for development or rehabilitation of low and moderate-income housing identified above.

- Estimates of Total Housing to be Developed

The current estimated housing production figures and proposed uses of the Merced Redevelopment Project Area No. 2 Low and Moderate Income Housing Fund are estimated at up to 75 new units constructed and/or up to 65 units rehabilitated (see attached Table). Due to the limited supply of land within the project area, it is anticipated that some of these units may be built within the Gateways Project Area or the larger Merced community. The Gateways Project Area LMI Fund is estimated to produce up to 125 newly constructed units and up to an additional 150 home rehabilitations and or covenant restrictions through various assistance programs over the next five years (see attached table).

- Replacement Housing

Since the Merced Project Area No. 2 Redevelopment Plan was adopted prior to January 1, 1976, the effective date of Section 33413, the provisions of Section 33490 (a)(3), which require that the implementation plan identify proposed locations for replacement dwelling units, do not apply.

However, the Agency anticipates replacing units on a one-for-one basis. All housing units that may be removed by implementation of the Merced Redevelopment Project Area No. 2 will be replaced with housing units either within or outside the Project Area boundary. The development of low and moderate-income units under this Plan will serve as replacements for dwellings, which the Agency anticipates, may be removed as a result of its activities.

In carrying out the activities contemplated in the Gateways Redevelopment Plan, it may become necessary for the Agency to enter into various agreements, which would lead to the destruction or removal of dwelling units from the low and moderate-income housing market. Not less than thirty (30) days prior to the execution of such an agreement which would lead to destruction or removal of low and moderate income dwelling units, the Agency shall adopt, by resolution, a Replacement Housing Plan pursuant to Section 33413.5 of the Health and Safety Code.

The Agency does not anticipate that any low or moderate-income dwelling units within Project Area No. 2 will be destroyed or removed from the low and moderate income housing market during the five-year period of this Plan. The development activities planned for the Gateways Project Area may result in the removal of a few sub-standard or marginal housing units within its boundaries. In the event that such units are destroyed, they will be replaced. Housing relocation assistance, as required by the California Community Redevelopment Law, will be offered to the affected property owners and tenants within the Project Area.

- Inclusionary Housing

Project Area No. 2

The Merced Redevelopment Agency does not have to adopt a plan to comply with the inclusionary housing requirements of Section 33413 (b)(1) and (2) because the Merced Redevelopment Plan for Project Area No. 2 was adopted prior to January 1, 1976, the effective date of Section 33413. Therefore, the inclusionary housing provisions of Section 33413 (b) do not apply to the Merced Redevelopment Project Area No. 2.

Gateways Project Area

Redevelopment Law requires that at least 30 percent of all dwelling units actually developed by a redevelopment agency shall be available at affordable housing cost to persons and families of low or moderate income, and not less than 50 percent of the units shall be available at affordable housing to very low income households.

Redevelopment Law also requires that at least 15 percent of all dwelling units developed within a project area by public or private entities or persons other than the redevelopment agency, but including those developed pursuant to a written agreement with the agency, shall be available at affordable housing cost to persons and families of low or moderate income, and not less than 40 percent of the affordable units shall be available at affordable housing cost to very low income households. To illustrate the inclusionary rule in terms of numbers, of every 100 dwellings units developed or rehabilitated by entities other than the agency, 15 shall be affordable, with 9 affordable to persons of low or moderate income, and 6 available to persons of very low income.

During FY2008 through FY2011, fewer than 20 housing units were completed within the Project Areas. During this time, the Agency completed the restoration of 10 units of affordable housing with 3 being reserved for very low income housing, completed the construction of 3 new units of low income owner occupied housing, and assisted with the rehabilitation of 29 units of housing with 2 reserved for very low income households, 8 for low income households and 19 for moderate income households.

The project area is experiencing an exceedingly slow rate of growth due to the national collapse of the housing market. This anomaly will greatly skew the anticipated development over the course of five years. Therefore, for planning purposes we will anticipate an average of up to 80 total dwelling units will be developed annually within the Gateways Project Area. At least 12 of those units would be reserved for low and moderate-income occupancy. The following table illustrates the anticipated breakdown of the total units developed within the project area indicates the number of affordable units required by law. The term “development” in this sense is also used to denote units substantially rehabilitated for low and moderate-income occupancy or purchased covenants for affordable income housing by the Agency.

<u>Fiscal Year</u>	<u>Total Units</u>	<u>15% Requirement</u>	<u>Very Low (40% of 15%)</u>	<u>Low/Moderate (60% of 15%)</u>
2011-12	80	12	5	7
2012-13	80	12	5	7
2013-14	80	12	5	7
2014-15	80	12	5	7
2015-16	80	12	5	7

All units developed with Agency assistance from the Low and Moderate Income (LMI) Fund will be price restricted to very low, low, or moderate-income residents.

- Use of Annual Deposits in the Low and Moderate Income Housing Fund

Approximately \$900,000 to \$1,200,000 per year from Project Area No. 2 and \$300,000 to \$800,000 per year from the Gateways Project Area will be made available to meet the Agency's housing requirements. All LMI funds from both Project Area No. 2 and the

Gateways Project Area will be used to implement housing objectives of the Redevelopment Agency. It is not anticipated that any fund will become excess/surplus. Funds from the annual deposits into the Fund may be used to service bond issue debt to the extent that bond issue proceeds are used for low/moderate income affordable housing projects. Therefore, funds would not be diverted to the local housing authority to implement the Agency's Inclusionary Housing Program, as Project Area No. 2 is exempt from Section 33413(b) of the California Community Redevelopment Law.

- Housing Need and Demographics

The recently adopted City of Merced Housing Eliminate is included in this report by attachment. The housing element includes the demographics and age of the community and the housing need for each of the individual income groups.

Annual Housing Unit Production

Project Area No. 2

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
New Construction to be Developed	0	0	0	75	0
Existing Units to be:					
- Substantially Rehabilitated	1	1	1	1	1
- Price-Restricted by Covenant	0	5	0	0	5
- Otherwise Assisted by Agency	Up to 10				
- Destroyed as Result of Redevelopment	0	0	0	0	0

Gateways Project Area

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
New Construction to be Developed	75	0	0	0	50
Existing Units to be:					
- Substantially Rehabilitated	Up to 10				
- Price-Restricted by Covenant	Up to 10				
- Otherwise Assisted by Agency	Up to 10				
- Destroyed as Result of Redevelopment	3	0	3	0	3

Uses of Low and Moderate Income Housing Fund

See Five-Year Budget, Simplified Five-Year Cash Flow Projections for Project Area No. 2 (LMI Housing Funds #805, #844) and Gateways Project Area (LMI Housing Funds #807, #854), are included below.

Project Area 2

Fiscal Year	2012	2013	2014	2015	2016
Est. TI Growth Rate	0%	2%	2%	2%	2%
Tax Increment (TI)	\$5,504,818	\$5,614,914	\$5,727,212	\$5,841,756	\$5,958,592
City Loan		\$4,100,000			
Total Receipts	\$5,504,818	\$9,714,914	\$5,727,212	\$5,841,756	\$5,958,592
Debts					
County Admin	\$91,930.45	\$93,769.06	\$95,644.44	\$97,557.33	\$99,508.48
County Library	\$ 865,145	\$ 937,477	\$1,010,894		
Housing	\$1,100,964	\$1,122,983	\$1,145,442	\$1,168,351	\$1,191,718
1999 Bonds	\$2,031,710	\$2,031,375	\$2,026,838	\$2,021,906	
2003 Bonds	\$ 177,040	\$ 177,003	\$ 171,603	\$ 176,163	\$2,110,000
City Debt	\$ 454,884	\$1,120,212	\$1,120,212	\$1,120,212	\$1,120,212
Total Debts	\$4,721,673	\$5,482,819	\$5,570,634	\$4,584,190	\$4,521,439
Available TI	\$ 783,145	\$4,232,095	\$ 156,578	\$1,257,567	\$1,437,153
Available Housing TI	\$1,100,964	\$1,122,983	\$1,145,442	\$1,168,351	\$1,191,718

Gateways

Fiscal Year	2012	2013	2014	2015	2016
Est. TI Growth Rate	0%	2%	2%	2%	2%
TI	\$1,864,154	\$1,901,437	\$1,939,466	\$1,978,255	\$2,017,820
Housing	\$ 372,831	\$ 380,287	\$ 387,893	\$ 395,651	\$ 403,564
County Admin	\$ 31,131	\$ 31,754	\$ 32,389	\$ 33,037	\$ 33,698
Passthrough Tier 1	\$ 372,831	\$ 380,287	\$ 387,893	\$ 395,651	\$ 403,564
Passthrough Tier 2	\$ -	\$ -	\$ -	\$ -	\$ -
Passthrough Tier 3					
2001 Bonds	\$ 168,098	\$ 165,293	\$ 167,433	\$ 169,253	\$ 170,743
2007 Bonds	\$ 470,706	\$ 505,456	\$ 528,206	\$ 559,456	\$ 563,706
Total Debts	\$1,372,100	\$1,427,410	\$1,476,133	\$1,533,512	\$1,564,048
Available TI	\$ 448,557	\$ 438,359	\$ 435,651	\$ 425,207	\$ 442,545
2007 Housing Bonds	\$ 186,056	\$ 183,306	\$ 185,556	\$ 187,556	\$ 184,306
Available Housing TI	\$ 186,775	\$ 196,981	\$ 202,337	\$ 208,095	\$ 219,258