SUBJECT: REDEVELOPMENT AGENCY 2005-2006 BUDGET

SOURCE: COMMUNITY DEVELOPMENT DEPARTMENT

COMMENT: Section 33606 of the California Health and Safety Code requires the Redevelopment Agency to adopt an annual budget which contains the following information: proposed expenditures of the agency, proposed indebtedness to be incurred by the agency, the anticipated revenues of the agency, the work program and goals for the coming year, and an examination of the previous year's achievements and a comparison of the achievements with the goals of the previous year's work program. The annual budget for 2005-2006 has been prepared in accordance with Section 33606 and is provided as an attachment for Agency review and adoption.

The 2005-2006 RDA budget reflects the following:

a. General project administration
b. Housing administration
c. Estimate of County's participation in tax increment in accordance with the City/County agreement
d. Estimate of Redevelopment Fund Balances

RECOMMENDATION: That the Agency Board adopt the attached 2005-2006 Redevelopment Agency budget.

ATTACHMENTS: 1. Draft Resolution adopting the 2005-2006 Redevelopment Budget
2. Proposed 2005-2006 Redevelopment Budget

DD____ APPROPRIATED/FUNDED______ CM______ ITEM NO. PRA-1
RESOLUTION NO. ________________________

A RESOLUTION OF THE PORTERVILLE REDEVELOPMENT AGENCY APPROVING THE 2005-2006 BUDGET PURSUANT TO HEALTH AND SAFETY CODE SECTION 33606

WHEREAS, by Ordinance No. 1227 adopted February 17, 1981, the City Council of the City of Porterville (the “City Council”) activated the Porterville Redevelopment Agency (the “Agency”) and declared itself to constitute the Agency; and

WHEREAS, by Resolution No. PRA 81-3 adopted April 7, 1981, the Agency approved a Cooperative Agreement by and between the City Council and the Agency wherein the City agreed to establish an “Agency General Fund” with money appropriated by the City Council to pay for the Agency’s administrative expenses as authorized by Health and Safety Code Section 33610; and

WHEREAS, by Ordinance No. 1436 adopted July 10, 1990, the City Council approved the Redevelopment Plan for the Porterville Redevelopment Project Area No. 1 (the “Plan”); and

WHEREAS, Health and Safety Code Section 33606 requires that the Agency adopt an annual budget; and

WHEREAS, for the purpose of fulfilling its obligations to effectuate the Plan and conduct redevelopment activities pursuant thereto, the Agency has estimated its 2005-2006 fiscal year expenditures, indebtedness, anticipated revenues and proposed work program to be as provided in the budget hereinafter referred to as the “Redevelopment Agency Budget” attached hereto as Attachment “A” and incorporated herein by reference; and

WHEREAS, the Agency is required to determine annually that the planning and administrative expenses in the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low and moderate-income housing.

NOW, THEREFORE, BE IT RESOLVED by the Porterville Redevelopment Agency that the Agency approves and adopts the Redevelopment Agency Budget for the 2005-2006 fiscal year in conformance with Health and Safety Code Section 33606, determines that the planning and administrative expenses in the Low and Moderate Income Housing Fund are necessary for the production, improvement, or preservation of low and moderate-income housing, and authorizes and directs the Executive Director to submit said Budget to the City Council pursuant to Health and Safety Code Section 33611.

Porterville Redevelopment Agency

By: ________________________________________________
Kelly E. West, Chairperson

ATTEST:

By: ____________________________
John Longley, Executive Secretary
PORTERVILLE
REDEVELOPMENT AGENCY
PORTERVILLE, CALIFORNIA

2005-2006 BUDGET

ST. JAMES PLACE RENOVATION PROJECT
CONTENTS

I. PREFACE
II. FINANCIAL SUMMARY
III. WORK PROGRAM 2005-2006
IV. PREVIOUS YEAR’S ACTIVITIES
I. **PREFACE**

The Redevelopment Agency is administered by the Community Development Department. The Agency was created pursuant to California Health and Safety Code Community Redevelopment Law. Redevelopment revitalizes targeted areas of blight and deterioration through several methods of Agency participation.

Porterville’s Redevelopment Project Area No. 1, implemented in August 1990, originally encompassed approximately 471 acres. During 2004-2005, the process to remove 2 parcels (26 acres) from the project area was completed, leaving approximately 445 acres in Project Area No. 1. The area is primarily commercially and industrially zoned.

Projects noted in the 2005-2006 budget will be limited due to funding constraints.

This budget has been prepared in accordance with California Health and Safety Code Section 33606, which requires each agency to adopt an annual budget.
## II. FINANCIAL SUMMARY

### AGENCY DEBT

<table>
<thead>
<tr>
<th>Description</th>
<th>AS OF 6-30-04</th>
<th>A. AS OF 6-30-05</th>
<th>B. PROPOSED INDEBTEDNESS S 2005-2006</th>
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<tr>
<td>Redevelopment Agency Bond Indebtedness Original Bond Debt Incurred December 1992 Refinanced 2002</td>
<td>$5,695,000</td>
<td>$5,510,000</td>
<td>$5,320,000</td>
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<td>Redevelopment Agency Debt to State of California Rural Economic Development Infrastructure Program (REDIP)</td>
<td>$288,746</td>
<td>$252,284</td>
<td>$231,372</td>
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<td>Redevelopment Agency Debt to County of Tulare Incurred 1997 Principal only</td>
<td>$225,000</td>
<td>$215,000</td>
<td>$205,000</td>
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<td>Redevelopment Agency Debt to City of Porterville Fund Advance Agreement #1 Incurred 1981 Principal plus interest</td>
<td>$1,145,425</td>
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<td>Redevelopment Agency Debt to City Risk Management Fund Advance Agreement #2 Incurred 1998 Principal plus interest</td>
<td>$138,520</td>
<td>$141,290</td>
<td>$144,116</td>
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<td>Redevelopment Agency Debt to City Risk Management Fund Advance Agreement #2 Incurred 1998 Principal plus interest</td>
<td>$1,499,482</td>
<td>$1,499,482</td>
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<tr>
<td>California Housing Finance Agency Housing Enabled by Local Partnerships (HELP) Incurred 2003 Principal only</td>
<td>$8,992,173</td>
<td>$8,763,481</td>
<td>$8,545,395</td>
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**NOTES:** As of June 2004, the REDIP Reserve Account had accumulated $22,500 in interest. This amount was withdrawn from the Reserve Account in the 2004-05 fiscal year for payment of the REDIP loan. The withdrawal was made in accordance with the REDIP funding agreement.
California Housing Finance Agency HELP Loan due in 2012, principal and interest. Interest accrues at 3% annually; balance due at loan end date of 2012.
ANTICIPATED REVENUES 2005-2006 – REDEVELOPMENT FUND

Income:
Gross Tax increment Revenue $665,478
Lease of Redevelopment Property\(^1\) $  15,600
Interest $  1,000
\[ $681,078 \]

Less:
Pass Through to other Agencies $117,781
20% Housing Set-Aside
  County Allocation $  12,822
  City Allocation $102,175
County Administration Fee $  24,000
\[ ($256,778) \]

NET REVENUE $425,300

A. PROPOSED EXPENDITURES 2005-2006 – REDEVELOPMENT FUND

Debt Service:
  Bond Payments $389,374
  REDIP Loan\(^2\) $  27,872
  County Loan $  10,000
  Bond Administration $  3,140
  Agency Administration $  23,050
  Education Revenue Augmentation Fund\(^3\) $  65,000

TOTAL PROPOSED EXPENDITURES $518,436

Transfer to (From) Reserves ($  93,136)

Estimated Redevelopment Fund Reserve Balances:

<table>
<thead>
<tr>
<th></th>
<th>06/30/04</th>
<th>06/30/05</th>
<th>06/30/06</th>
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<tr>
<td>$215,819</td>
<td>$112,625</td>
<td>$19,490</td>
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Notes:

\(^1\) Income from the lease of the Stout building is included in the budget estimates. Income from a 12-month lease results in an increase in revenues of $15,600 in the 2005-06 fiscal year.

\(^2\) As of June 2004, the REDIP Reserve Account had accumulated $22,500 in interest. This amount was withdrawn from the Reserve Account in the 2004-05 fiscal year for payment of the REDIP loan. The 2005-6 Budget reflects a withdrawal from the REDIP reserve in the amount of $10,360. The withdrawal was made in accordance with the REDIP funding agreement.

\(^3\) Education Revenue Augmentation Fund (ERAF) diversions are anticipated to be suspended after the 2005-06 fiscal year. Net result would be a decrease in expenditures of $60,000 in upcoming fiscal years.
B. ANTICIPATED REVENUES 2005-2006 – HOUSING FUND

Tax Increment Revenue 2005-2006:
  County Allocation $  12,822
  City Allocation $102,175
  Interest $    2,500

TOTAL ANTICIPATED REVENUE $117,497

C. PROPOSED EXPENDITURES 2005-2006 – HOUSING FUND

Administration and Debt Service:
  Agency Administration $   4,800
  Bond Payments $ 97,344
  Bond Administration $      770

Capital Projects 1
  First Time Home Buyer $216,411
  Escrow Fees $    2,500

Casas Buena Vista – CalHFA HELP2 $707,000

TOTAL PROPOSED EXPENDITURES $1,028,825

Transfer to (from) Fund Balances ($ 911,328)

Estimated Housing Fund Balances:

  As of 06/30/05 $1,206,768
  As of 06/30/06 $  295,440

NOTES: 1 Capital expenditure projects have funds committed through agreements or Agency action.

2 Fund balances inclusive of land values and/or CalHFA HELP loan for Casa Buena Vista development. CalHFA HELP proceeds utilized for Casas Buena Vista project.
IV. WORK PROGRAM

The work program for 2005-06 is based on the continued implementation of both the Redevelopment Strategic Plan adopted in 1992 and the Five-Year Implementation Plan adopted in 2004. The general redevelopment priority projects established for the expenditure of the Agency’s first bond issue have been completed to the extent of available funding. The Agency will be managing and monitoring the Redevelopment projects that have been completed and planning ahead for future projects when funding becomes available. The Agency will also be focused on the continued efforts to implement the low and moderate-income housing projects and the funding strategies approved in 2003-04. Therefore, the work program for 2005-06 is as follows:

1. Implementation Plan

   A. Continue implementation of the 2005-2009 Redevelopment Implementation Plan for the Redevelopment Agency that contains the specific goals and objectives of the Agency for the project area, the specific programs, including potential projects, and estimated expenditures proposed to be made during the five-year period beginning 2005.

2. Housing Strategic Plan Implementation

   A. Continue implementation of the Housing Strategic Plan and continue implementation of the policies adopted by the Agency for the expenditure of the low and moderate-income housing funds.

   B. In 2002-03 the Agency pledged the remaining $378,000 available for the First Time Home Buyer Program and reallocated the $186,000 from the Multi Family Program to assist families desiring to purchase dwellings within the Casas Buena Vista subdivision. It is anticipated that the remainder of these funds will be expended in the 2005-06 fiscal year.

   C. Continue to administer all agreements for the development of the Casas Buena Vista subdivision, including the California Housing Finance Agency (CHFA) HELP loan, the Disposition and Development Agreement with Perris 40 Corporation (Casas Buena Vista Housing Group, LLC), and the individual homebuyer assistance loans for acquisition of the houses which will incorporate affordability covenants. Evaluate a proposal to further expand affordable housing and commercial opportunities within the vicinity of the Casas Buena Vista Planned Unit Development.

   D. Continue to monitor the Date Avenue Apartment rental project for compliance with the terms of the Affordable Housing Agreement between the Agency and 148 E. Date Avenue, L.P. and Corporation for Better Housing.
E. Continue to monitor the St. James Places historical renovation project for compliance with the terms of the Regulation Agreements and HOME requirements.

3. Financing Strategy

Request City Council to reduce the interest rate to 0% per annum on the Fund Advance Agreement No. 2 with the City of Porterville. Fund Advance Agreement No. 2 provided for the advance of $110,000 from the City’s Risk Management Agency for payment of expenses incurred by the Agency associated with the improvement of certain storm drain facilities located within Project Area #1. Interest accrues at the Local Agency Investment Fund (LAIF) rate as of June 30 each year and is estimated to be 2%, or $2,826, for the 2004-05 fiscal year.

4. Building Façade Rehabilitation

Continue monitoring the building façade renovation grant program.

5. Public Parking

A. Monitor and maintain all Agency owned parking lots.

B. Continue monitoring requirements as outlined in the Central Valley Infrastructure Grant, which was utilized for the reconstruction of the parking lot located at Hockett and Oak.

C. Continue pursuing the formation of Parking District #3 in the North Main Street Area (Cleveland Avenue to Morton Avenue, Main Street to the Union Pacific Railroad.)

6. Public Street and Streetscape Improvements

A. Continue to monitor the Main Street streetscape improvements.

B. Continue to pursue funding for required traffic circulation improvements, replacement or installation of sidewalks, crosswalks, curb, gutters, storm drains, street lighting, and landscaping to improve their functioning and attractiveness.

7. Downtown Revitalization

A. Centennial Plaza – Work with local developer to construct a retail/professional office building, which will offer amenities to the patrons of the adjacent Centennial Park.

B. Porterville Hotel – Explore options regarding future utilization of the Porterville Hotel site, including funding sources and replacement housing required to meet the needs of the project.
C. Continue to coordinate with Downtown Porterville Association, Inc. (DPA) to encourage downtown revitalization. As part of this effort, the City and DPA will place an emphasis on filling vacant and underutilized buildings within the downtown area between Morton Avenue and Olive Avenue.

8. Porterville Heritage Center

Continue coordination in the construction of the Porterville Heritage Center (previously known as the Neighborhood Community Center) in conjunction with the Community Development Block Grant (CDBG) program utilizing Section 108 funding.

9. Public Improvement Projects

Coordinate with the City Engineering Division on the planning and reconstruction of the Plano Street Bridge in the Redevelopment Project Area. The project is funded through the Federal Highway Association (FHWA) and Certificates of Participation.

10. Tule River Parkway and Rails to Trails Projects

Coordinate with the City Engineering Division and the Parks and Leisure Services Department on the planning and construction of the phases of the Tule River Parkway and the Rails to Trails projects that are within the Redevelopment Area.

11. Annexation and General Plan Land Use

Support annexation of additional industrial land and circulation improvements in the south/southeast area of the City in accordance with the General Plan Circulation Element.
V. PREVIOUS YEAR’S ACHIEVEMENTS

In reviewing the activities of the Redevelopment Agency in 2004-05 significant progress was made in accomplishing the goals of the work program established in last year’s budget. Following are the elements of that work program and a description of the progress made in each area:

1. Implementation Plan

**Goal:** Begin implementation of the 2005-2009 Redevelopment Implementation Plan for the Redevelopment Agency that contains the specific goals and objectives of the Agency for the project area, the specific programs, including potential projects, and estimated expenditures proposed to be made during the five-year period beginning 2005.

**Action:** The Redevelopment Agency, through the actions discussed below, has begun implementation of the 2005-2009 Implementation Plan for the Redevelopment Agency.

2. Housing Strategic Plan Implementation

**Goal:** Continue implementation of the Housing Strategic Plan and the 2005-2009 Redevelopment Implementation Plan, and continue implementation of the policies adopted by the Agency for the expenditure of the low and moderate-income housing funds.

**Action:** The Agency continued the implementation of the agreements for low and moderate-income housing projects that were executed in previous years, including Casas Buena Vista, Date Avenue Family Apartments, St. James Place, and First Time Low Income Homebuyers programs.

**Goal:** In 2002-03 the Agency pledged the remaining $378,000 available for the First Time Home Buyer program to assist families desiring to purchase dwellings within the Casas Buena Vista (previously Casas del Rio) subdivision. It is anticipated that the remainder of these funds will be expended in the 2004-2005 fiscal year.

**Action:** Phase 5 is currently under construction in the Casas Buena Vista subdivision and to date 57 homes have been sold or are under contract to be purchased. The Redevelopment Low and Moderate Housing Fund has provided assistance to 16 families. As other down payment assistance funding sources have been available, the developer is reserving the remainder of the Redevelopment assistance for homes in the latter phases, but all funds should be expended in the 05/06 fiscal year.

**Goal:** Continue to administer all agreements for the development of the Casas Buena Vista subdivision, including the California Housing
Finance Agency (CHFA) HELP loan, the Disposition and Development Agreement with Perris 40 Corporation (Casas Buena Vista Housing Group, LLC), and the individual homebuyer assistance loans for acquisition of the houses which will incorporate affordability covenants.

**Action:** The Agency has been administering all of the agreements and working through problems and/or revisions as they arise. As stated above, Casas Buena Vista has been selling extremely well with many of the homebuyers taking advantage of the homebuyer assistance available. Affordability covenants recorded on the properties were revised to make all the units affordable for at least 20 years which makes the units eligible for state Workforce Housing Rebate Grant funds to be utilized for public improvements.

**Goal:** Continue to monitor the Date Avenue Apartment rental project for compliance with the terms of the Affordable Housing Agreement between the Agency and 148 Date Avenue, LP and Corporation for Better Housing.

**Action:** The initial income certifications for occupancy were received by the Agency with 88% of the households being below 50% of Area Median Income (only 41% was required by the agreement).

**Goal:** Begin to monitor the St. James Place historical renovation project on Main Street for compliance with the terms of the Regulation Agreements and HOME requirements.

**Action:** The St. James Place apartments opened in February and the income and other statistical data on the initial residents has been received by the Agency and reports are being filed with the California Department of Housing and Community Development.

3. Building Façade Rehabilitation

**Goal:** Continue monitoring of the building façade renovation grant program.

**Action:** Staff continues to monitor and evaluate the completed facades for compliance with the façade easement maintenance agreement and notifies the owners of any items that need attention.
4. Parking Lots

Goal: During 2001-02, the City applied for and was awarded a Central Valley Infrastructure Grant (CVIG) for the reconstruction and expansion of the parking lot located at Hockett and Oak. The project is scheduled to be complete late 2003-2004. As part of the project the existing building was purchased with CVIG funds; however, the funding was not sufficient to remove the building. Demolition of the building and expansion of the parking lot has been programmed under another funding source and is scheduled for late 2005.

Action: The reconstruction of the parking lot was completed in Fall 2004. Monitoring for job creation is underway and is anticipated to be complete during the 2005-2006 fiscal year.

Goal: Monitor and maintain all Agency owned parking lots.

Action: Staff continues to monitor and maintain the Redevelopment parking lots, coordinating with Parks and Leisure Services on any landscape maintenance items and Southern California Edison on any light standard issues.

Goal: Continue pursuing the formation of Parking District #3 in the North Main Street Area (Cleveland Avenue to Morton Avenue, Main Street to the Union Pacific Railroad).

Action: Staff continues to seek funding for the acquisition of additional property and for the construction of parking lots within the area that would be necessary for the formation of a district in the North Main Street Area.

5. Public Street and Streetscape Improvements

Goal: Continue to monitor the Main Street streetscape improvements.

Action: Staff continues to monitor the Main Street streetscape improvements.

Goal: Continue to pursue funding for required traffic circulation improvements, replacement of installation of sidewalks, crosswalks, curb, gutters, storm drains, street lighting, and landscaping to improve their functioning and attractiveness.

Action: Staff continues to pursue funding sources to meet the traffic circulation, infrastructure, and streetscape issues for areas within the Project Area.

6. Downtown Porterville Association, Inc.
Goal: Coordinate with Downtown Porterville Association, Inc. (DPA) to encourage downtown revitalization. As part of this effort, the City and DPA will promote and utilize various financial incentive programs to recruit and assist businesses in locating within the Redevelopment Area, with an emphasis on filling vacant and underutilized buildings within the downtown area between Morton Avenue and Olive Avenue.

Action: Staff continues to work cooperatively with Downtown Porterville Association, Inc. on projects and recruitment efforts. Staff keeps a current inventory of properties available downtown in order to assist prospective businesses in selecting a location.

7. Neighborhood Community Center

Goal: Continue participation in the construction of the Neighborhood Community Center in conjunction with the Community Development Block Grant (CDBG) program utilizing Section 108 funding.

Action: Construction on the Neighborhood Community Center (formally named the Porterville Heritage Center) began early 2004 and is expected to be complete mid-2005. Staff continues to coordinate construction activities and monitor expenditures of the CDBG Section 108 funds.

8. Public Improvement Projects

Goal: Streets and Bridges – Coordinate with the City Engineering Division on the planning and reconstruction of the Plano Street Bridge and Orange Avenue funded, wholly or in part, by Certificates of Participation within the Redevelopment Project Area.

Action: The Redevelopment Strategic Plan and the adopted Streetscape Design for the Redevelopment Area were used extensively in the planning and design of both the Plano Street Bridge project and the Orange Avenue Reconstruction project. The Plano Street Bridge project is scheduled to begin construction Spring/Summer 2006 and Orange Avenue Project was completed early 2005.

9. Tule River Parkway and Rails to Trails Projects

Goal: Coordinate with the City Engineering Division and the Parks and Leisure Services Department on the planning and construction of the phases of the Tule River Parkway and the Rails to Trails projects that are within the Redevelopment Area.

Action: Staff has participated in the planning and coordination of both of these projects that are within the Redevelopment Area.
10. Annexation and General Plan Land Use

Goal: Support annexation of additional industrial land and circulation improvements in the south/southeast area of the City in accordance with the General Plan and Circulation Element.

Action: Utilizing Certificates of Participation, the City will be improving and extending streets in the southern area of the City.

11. Financing Strategies

During the 2002-03 fiscal year, staff prepared several financing strategies to reduce the financial impacts of reassessment of properties within the Project Area, a stagnant real estate market, increased operating expenses, and institution of mandated legislative actions (including an Education Revenue Augmentation Fund (ERAF)). Strategies approved by the Agency are:

Goal: Strategy 1: Removal all salaries from the Redevelopment budget.

Action: All salaries have been removed from the Redevelopment budget.

Goal: Strategy 2: Remove Agency/City owned properties from the Base Year calculations.

Action: Staff continues to monitor the Base Year calculation for assurance that Agency/City properties have been removed.

Goal: Strategy 3: Remove two industrial properties from the Project Area.

Action: When the Redevelopment Plan was originally adopted, the assessed value of these two industrial properties was substantial and represented a large percentage of the base year value for the Project Area as a whole. During recent years these properties were sold and, though each of these facilities have been re-occupied, their assessed property values are now significantly lower. Removal of these two properties from the Project Area in 2004-2005 will potentially increase Agency revenues by $2.9 million, assuming a modest 2% growth rate, over the remaining 36-year life of the Plan. Utilizing the same assumption, the potential increase in Agency revenues over a 10-year span will be $964,000. This increase is a result from a lower base year value resulting in a larger tax increment when subtracted from current assessed valuation.

Goal: Strategy 4: Successfully petition the State to eliminate proposed ERAF diversions in the current and forthcoming fiscal years.

Goal: Strategy 5: Eliminate the remaining property on Fourth Street and promote private development on vacant/underutilized Agency/City owned properties.

Action: During 2004-2005, staff entered into discussions with a local developer for the acquisition and development of a commercial use on the northerly portion of the lot adjacent to the new Centennial Park. Staff also was successful in locating a tenant for the Stout building that was vacated by the Literacy Program during the 2003-04 fiscal year due to funding limitations. Prior to actively marketing the remaining property on Fourth Street, Staff is evaluating potential uses that may best serve the City and the Agency.