Lompoc City Council
Lompoc Redevelopment Agency
Agenda Item

Meeting Date: December 15, 2009

TO: Laurel M. Barcelona, City Administrator/Executive Director
FROM: Linda R. Wertman, Redevelopment Program Coordinator
e-mail: l_wertman@ci.lompoc.ca.us

SUBJECT: REDEVELOPMENT AGENCY ANNUAL REPORT TO THE STATE CONTROLLER, ANNUAL AUDIT, AND ANNUAL REPORT OF HOUSING ACTIVITY

RECOMMENDATION:

Council Action:
Staff recommends the City Council accept and file the Redevelopment Agency’s Annual Report of Financial Transactions, Annual Audit, and Annual Report of Housing Activity; and

Board Action:
Staff recommends the Redevelopment Agency Board:

1. Accept the attached Annual Report of Financial Transactions, Annual Audit, and Annual Report of Housing Activity, and authorize staff to submit said documents to the State Controller and the Department of Housing and Community Development; and

2. Adopt the Agency’s Excess Surplus Plan and authorize staff to submit said document to the Department of Housing and Community Development.

BACKGROUND:

The California Redevelopment Law (CRL) requires all redevelopment agencies to file, within six months following the close of the previous fiscal year, an annual report and financial audit with the State Controller, and an annual report with the Department of Housing and Community Development. Fiscal Year 2008-2009 (FY08-09) closed June 30, 2009; therefore, our Annual Report and Audit must be filed before December 31, 2009.

Section 33080 of the California Redevelopment Law requires an annual report and financial audit of the Agency’s activities for the previous fiscal year be presented to the Agency’s legislative body (the City Council) and to the State Controller within six months of the close of the previous fiscal year.
The Annual Report documents the activities and transactions of the Redevelopment Agency, especially those related to the production and rehabilitation of affordable housing. The annual financial audit documents the Agency’s financial transactions.

DISCUSSION:

Fiscal Year 2008-2009 resulted in the completion of one Agency assisted housing project and one unassisted inclusionary housing project; the purchase of two parcels that will be used for storage and parking near Fire Station One; the purchase of a vacant lot that will be developed as part of the Lompoc Valley Senior Community Center; the completion of Phase II of the Historical Museum renovation; completion of entitlements and payment of fees for building permits for construction of the Downtown Pocket Park, and the Art Alley Lighting Project.

No Agency-assisted commercial projects were completed within the project area this year. The following commercial projects were completed within the project area in FY08-09: Lompoc Housing and Community Development Corporation’s (LHCDC) 2,382 square foot Childcare facility located at 648 North G Street, which is an amenity of a newly constructed affordable housing project; a 25,449 square foot light industrial building at 1251 West Laurel Avenue known as Crown Laurel Industrial Condominium Building; a 4,250 square foot metal building located at 311-313 North F Street; and a 5,463 square foot office building with an 836 square foot balcony at 112-116 North F Street.

Outside the project area, newly constructed commercial buildings completed this fiscal year included: a 2,000 square foot Lompoc Hospital District Training Center at 218 North Third Street; a two story building at 1417 North H Street known as the Holiday Inn Express expansion; and a metal building at 1637 East Laurel Avenue. In addition to the completed commercial projects, the new Lompoc Hospital is nearing completion. Three significant buildings were also demolished in the community, two of which were located in the project area. Buildings demolished were the Bowling Alley at 1420 East Ocean, the Ford building at 1201 North H Street, and since the end of this fiscal reporting year, the Lompoc Senior Community Center located at 1501 East Ocean Avenue.

Residential projects under construction or completed since June 30, 2009 within the project area include 39 units at 513 North G Street (Homebase on G), which is being assisted by the Agency.

There are many projects currently in the “pipeline” within the project area; however, those projects have been slow to proceed or have been put “on hold” until such time as the housing and commercial markets become more viable and the economic environment is more receptive. The projects will be reported in future years when and if the projects near the receipt of building permits and their development is imminent. The second amendment area expansion has a development project in the pipeline which will bring a high profile project to the
redevelopment project area, should the project go forward. That project proposes a hotel and spa along with wine tasting and a storage facility. If that project is able to proceed, it should bring a dramatic increase to the tax increment for the second amendment area and provide an attractive entry to the City.

**CalHFA HELP Loan**

In February of 2008, the Agency funded a construction loan for a 39-unit Single Room Occupancy (SRO) project known as Homebase on G Street (previously known as Transitions). There are four City/Agency controlled funding sources in the Homebase on G project, one of which is funded with $800,000 from the Agency’s first California Housing Finance Agency (CalHFA) Help funds. Those funds have been recycled numerous times and have far exceeded the initial goals of the loan at the onset. That new construction in-fill project has additionally been funded with City HOME funds, Redevelopment Set-Aside funds, and Housing Trust Fund monies, administered to date by Agency staff. Accomplishment data will be submitted on this project at completion, which is scheduled for FY09-10.

**SET ASIDE LOANS**

One affordable housing project received assistance from the Agency in FY08-09. The Wolberg Apartment project received $80,000 to assist 8 large three-bedroom units to be made affordable to moderate-income households. Recently those apartments were to be sold to the Santa Barbara Housing Authority; however, the sale did not proceed.

The Homebase on G Street project received $250,000 to assist 19 Single Room Occupancy (SRO) units. These units will be reported in detail upon completion in next year’s report.

The Agency has been discussing disencumbering two Board approved loans totaling $510,000 for a LHCDC project known as the T Street Condominiums. That project has not executed loan documents or begun construction since approval. Unless that project begins construction in the near future, the Agency may be forced to disencumber those loan funds. However, the Agency anticipates that project will move forward by the end of fiscal year 09-10.

The Agency cannot continue to carryover funds for projects not proceeding on a timely basis. Due to the carryover of previously approved loans on projects that have not had loan documents executed and other slow moving projects, the Agency now has an excess surplus of its housing money. The combination of the $510,000 in approved unexecuted loan funds, along with proposed funding on several other LHCDC projects in which applications were not finalized has caused the excess surplus. Excess surplus occurs when Redevelopment Set-Aside funds reach the greater of $1,000,000 being carried over without funds contractually obligated (executed loan documents), or a combination of four years of Set Aside Increment deposits.
The result of excess surplus will trigger the need for the Agency Board to adopt and submit a disbursement plan to the Department of Housing and Community Development (HCD), with the Annual Report and will initiate a three-year time period in which those excess funds must be expended. Failure to expend the excess funds will result in those funds being transferred to the Housing Authority. Those funds would no longer be available for Redevelopment housing projects. Agency staff has outlined a disbursement plan which is included with this report which demonstrates how the Agency will expend those excess housing funds. The Agency is currently processing an application for $1.8 Million Dollars, which if approved and formalized will deplete the excess surplus. The Agency is also considering partnering with the Santa Barbara Housing Authority to participate in an affordable housing project later this year at their property on West Ocean Avenue which the Agency recently approved, pending Article XXXIV compliance.

**Housing projects completed in FY08-09:**

- **Wolberg Apartments**
  - 521-523 West Ocean Avenue
  - 8 units

**INCLUSIONARY COVENANTS**

LHCDC’s 35-unit affordable housing project located at G & College Avenue was completed this year. The Agency’s Covenant now restricts 15 units at Very Low-Income, 10 units at Lower-Income and 9 units at Moderate-Income, which restricts a total of 34 of the 35 units in the complex. The unrestricted unit will be occupied by an on-site manager. That project provides an attractive addition to the community’s affordable housing stock, and includes a newly opened child care facility. Unfortunately, LHCDC did not provide the Agency the information required to initially certify tenants, which has resulted in this property becoming non-compliant with the Affordability Covenant recorded on the property. The Agency continues to request that property be brought into compliance by providing tenant income information and rent rolls; however, LHCDC has yet to respond to the Agency’s request.

**Inclusionary Housing projects completed in FY08-09:**

- **College Park Apartments**
  - 608-698 North G Street
  - 34 units

The Agency continues to await execution of several Inclusionary Covenants on housing projects that have been approved in previous years. The proposed Covenants on those properties are pending and will not be executed by property owners until the projects move forward with development. Those projects include: 11 units with the Olsen Company’s two projects on West Ocean Avenue, five units with Jon Martin’s Chestnut Crossing project located on H and Chestnut and North G Street, and 47 affordable units at the River Terrace project on East Laurel and 12th Street.
BUSINESS LOANS

Commercial Façade Improvement Program:

The Agency did not fund or approve any Commercial Façade Loans in FY08-09. The Agency proposes to reinstate the part-time Grant Records position in FY09-10 to assist in promoting Commercial programs for the Agency.

Commercial Rehabilitation Incentive Program:

The Agency did not fund or approve any Commercial Rehabilitation Loans in FY08-09.

Economic Development Marketing:

The Agency budgeted $40,000 for Economic Development Marketing in FY08-09. The Economic Development Marketing funds were allocated to the Economic Development Manager. The Manager expended RDA funds in the following manner through June 2009:

- Lompoc Valley Magazine – Summer 2008 $20,034.43
- City of Lompoc Map $5,800.00

**TOTAL $39,580.42**

The *Lompoc Valley Magazine* was a semi-annual lifestyle publication that promotes the City's Redevelopment Agency Project Area and Old Town by outlining the City's economic development tools, current City projects, City utilities, real estate and housing, industry and workforce, higher education, and other community resources. Each issue of the magazine provided an attractive centerfold map, including an insert of Old Town with designations, such as historic buildings, wine tasting, shopping, art gallery, sculpture garden, museum, and the Chamber of Commerce. These graphic depictions added to the allure of Old Town for future investment in business, tourism, and housing. Each issue of the magazine featured photos, cartoons, and artwork, along with feature articles that highlighted Redevelopment area projects, e.g., Lompoc Theater and Lompoc Aquatic Center.

Although the Economic Development Manager position was discontinued, the duties were transferred to the Community Development Director, Arleen Pelster. The Director shall develop a new program in FY09/10.

DOWNTOWN POCKET PARK

The Agency assisted in completing the design portion of the park by working with the landscape architects, building architects, and the Urban Forestry Division. The plans were submitted to the City and completed the plan check process. The
Agency also worked with the architectural firm to complete a Lot Combination for the two parcels that comprise the park site. The building permit fees have been paid.

**PAL PROGRAM**

The Agency continued to assist the PAL Program by expending $17,966 in support of the after-school crime prevention programs. The Agency additionally expended $14,305 for the salary of the PAL Program Coordinator. No funds were expended for the PAL Facility feasibility studies in FY08-09, those funds will be appropriated in FY09-10.

**OLD TOWN PROJECTS:**

**Art Alley:**

The Agency was able to complete 95% of the installation of the Art Alley lighting in June 2009. The Agency worked with the Art Alley Committee and Electric Division in the final design of the lighting for the alley. The Agency expended approximately $49,300.

**Lompoc Theater:**

LHCDC expended the remaining $748.39 in Loan proceeds in October 2008, utilizing the Old Town funding source which fully expended the balance of the $450,000 predevelopment loan for the Lompoc Theater. Additional project information and funding is reported under the Historic Preservation Funds.

**South G Street Parking & Storage Facility:**

The Agency purchased two parcels at 112 and 118 South G Street for the City of Lompoc. The acquisition was made in two separate transactions with the parcel at 112 South G Street being acquired first. The property at 112 contained two structures, one storage building which will be utilized by the City and Fire Department, the other building on the site is a 975 square foot house that was previously vacant and will be demolished to make way for a public parking lot. The final acquisition was a vacant lot at 118 South G Street which is adjacent to 112 South G Street property which will also be included in the parking lot development.

**Old Town projects completed in FY08-09:**

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Art Alley Lighting Project</td>
<td>$49,300</td>
</tr>
<tr>
<td>Property Acquisitions:</td>
<td></td>
</tr>
<tr>
<td>112 South G Street</td>
<td>$165,000</td>
</tr>
<tr>
<td>118 South G Street</td>
<td>$ 80,000</td>
</tr>
</tbody>
</table>

**HISTORIC PRESERVATION & RESTORATION**
Lompoc Museum:

The Agency continued working on Phase II of the restoration of the Historic Lompoc Museum with the facility maintenance division, expending $14,483 in FY08-09 in addition to $28,960 in Chevron funding for museum fire and security. Phase II consisted of repairing the drainage problems caused by the old roof which was replaced last year, and the hiring of a historical consultant that will oversee and develop the scope of work needed to repair the brick mortar on the exterior of the building. The Agency will continue to assist the Museum restoration by participating in funding the balance of the Phase II work in FY09-10 to preserve this Old Town Historic building.

Lompoc Theater:

The Agency budgeted an additional $375,000 in construction funding under the Historic Preservation and Downtown Restoration Program for FY08-09, bringing the total budgeted funds for construction to $750,000, which completes LHCDC’s request of the Agency to provide $1.5 million in assistance to this project. LHCDC has placed the Theater project on hold, and no additional funds have been expended in FY08-09 under this program funding.

The Agency did receive an application from LHCDC for additional predevelopment funding for the Theater project; however the application was incomplete, and the additional information required was not provided to the Agency. LHCDC had hoped to access a portion of the economic stimulus funds during this fiscal year, but was unable to provide the necessary documentation required for staff to review and underwrite the additional funding request. Until LHCDC is able to develop a financing plan and package that will demonstrate the ability to produce the donations/fundraising/grant portion of the financing of this project (estimated to be one third of the project cost), or provide alternative funding, it will be difficult for the Theater project to move forward in the current economic climate. In the event this project does not proceed to construction in the near future, the existing funding may need to be temporarily shifted until such time as LHCDC is ready to proceed with the renovation of the Theater and adjacent properties.

LOMPOC VALLEY SENIOR COMMUNITY CENTER:

The Agency assisted the City of Lompoc in purchasing a vacant lot that will be developed as part of the New Lompoc Valley Senior and Community Center. The Agency expended $370,339 in the acquisition of this parcel located at 1110 West Ocean Avenue. The Agency intends to issue a revenue bond for the funding to rehabilitate this property and an adjacent building for use as a community center in FY09-10.
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Lompoc Valley Senior Community Center completed in FY08-09:
Property Acquisitions:
1110 West Ocean Avenue-Vacant Lot $370,339

PROPERTY OWNED BY AGENCY:

This Annual Report is required to identify properties the Redevelopment Agency holds, and the purpose for its ownership of these properties. As of the date of this report, the Redevelopment Agency owns the following properties:

<table>
<thead>
<tr>
<th>APN</th>
<th>Location</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>091-103-02</td>
<td>200 Bl. W. Ocean</td>
<td>Public Parking</td>
</tr>
<tr>
<td>091-103-03</td>
<td>200 Bl. W. Ocean</td>
<td>Public Parking</td>
</tr>
<tr>
<td>091-103-04</td>
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<tr>
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<tr>
<td>091-103-08</td>
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</tr>
<tr>
<td>091-103-09</td>
<td>200 Bl. W. Cypress</td>
<td>Public Parking</td>
</tr>
<tr>
<td>091-103-10</td>
<td>200 Bl. W. Cypress</td>
<td>Public Parking</td>
</tr>
<tr>
<td>091-103-11</td>
<td>200 Bl. S. “J” Street</td>
<td>Public Parking</td>
</tr>
<tr>
<td>091-103-12</td>
<td>100 Bl. S. “J” Street</td>
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</tr>
<tr>
<td>091-103-20</td>
<td>200 Bl. W. Ocean</td>
<td>Public Parking</td>
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CONCLUSION:

The commencement of several approved affordable housing projects has been delayed in this past year due to the volatile financial market and downturn in the economic environment. Some of those approved housing projects may not be able to move forward until the market conditions improve, or will continue to move forward in a slow and cautious manner. The Agency may need to provide additional funding to projects that would otherwise be funded by commercial lenders, or even begin to guarantee commercial loans to assist these projects in moving forward. That situation is also affecting several proposed commercial projects, such as the Santa Rita Hills Project which was approved this past year, which proposes to develop the property at the former Grefco site located at the east entry to Lompoc.

Although funding was made available through the Commercial Façade and Rehabilitation Incentive programs to commercial property owners and businesses, participation in these programs have been underutilized. Much of that underutilization stems from the current economic environment; however, Agency staff recognizes the need for additional advertising and discussion with property owners as well as new potential businesses about these funding sources. Agency staff hopes to increase interaction with property owners and prospective businesses when they contact other City Divisions for business licenses, utility connections, and the Planning or Building Divisions to obtain development criteria from the City for renovation to existing structures. That link may be the best fit to assist the Agency in encouraging participation in our programs by enticing these
businesses and property owners to participate in Agency programs prior to their plans being finalized. Agency assistance may afford some prospective business owners and property owners the financial assistance needed to achieve a higher level of aesthetic appeal with their remodels, thereby increasing the potential for a greater level of success.

The Agency anticipates it may face many challenges in the next several years. Choosing projects that will provide the largest impact to the Old Town Redevelopment Area will become more and more important. As property taxes and assessments decline within the project area, so will the Agency’s funding sources. Holding onto large reserves may also prove to be problematic and may give the State the opportunity to continue the “taking” of funds from Redevelopment coffers to cover State budget shortfalls, which will result in removing these funds from local control and usage, while continuing to require the Agency to make positive impacts on the project area with less funding.

While the Agency has been the primary financing tool of many of the City’s Public Facility projects, the need to positively impact the Project Area by removing barriers to investment and economic and physical blight may need to be reprioritized in future years in order to meet the removal of blighted conditions prior to the end of the Project Areas effectiveness dates, which is the primary goal of the Agency.

Agency staff recognizes the uncertainty of the economic climate in the City, State, and the nation. The Agency must, however, resolve itself to move forward on projects and programs that will attract new businesses, promote interest in its downtown areas, and encourage investment by property owners that will help to inspire growth in the Old Town and the Project Area. The Agency must be willing to lead by example with capital improvements that provide infrastructure and encourage projects that are designed with a more upscale ascetic appeal in the old town.

Staff would like to take this opportunity to thank Laurel Barcelona, Executive Director, Arleen Pelster, Deputy Director, and Rene Vise, Finance Director for their support and contribution. A special thank-you goes to Natalie Skarda, the Agency’s Housing Programs Technician whose tireless efforts have improved the Agency’s ability to track and monitor affordable housing projects and development within the project area, we would also like to welcome Laura Miranda, the Agency’s new part-time Grant Records Technician.

We continue to look forward to making a significant impact in our community and provide a powerful financing tool for the City of Lompoc and Lompoc residents. We are committed to increase participation in Agency programs and projects that will encourage businesses and property owners to invest in their properties, thereby encouraging new development, job creation, and affordable housing opportunities in the project area.
Linda R. Wertman
Redevelopment Programs Coordinator

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Arleen T. Pelster, AICP
Deputy Director

APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY BOARD:

Laurel M. Barcelona, Executive Director

Attach: 1) Financial Transaction Report
2) Housing Activities Report
3) Annual Financial Audit
4) Excess Surplus Plan
Health and Safety Code Section 33334.12(g)(1) defines Excess Surplus as any unexpended and unencumbered amount in an agency's Low and Moderate Income Housing Fund that exceeds the greater of One Million Dollars ($1,000,000) or the aggregate amount deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2 and 33334.6 during the agency's preceding four fiscal years.

Health and Safety Code Section 3334.10 states not later than six months following the close of any fiscal year of an agency in which excess surplus accumulates in the agency's Low and Moderate Income Housing Fund, the agency may adopt a plan pursuant to this section for expenditure of all moneys in the Low and Moderate Income Housing Fund within five years after the end of that fiscal year. A copy of that plan and any amendments thereto shall be included in the agency's annual report required by Article 6 (commencing with Section 33080).

**IDENTIFICATION OF FUNDS:**

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<th>Year</th>
<th>Adjusted Unencumbered Set-aside Balance</th>
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</thead>
<tbody>
<tr>
<td>FY05-06</td>
<td>$ 490,615</td>
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<tr>
<td>FY06-07</td>
<td>$ 583,056</td>
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<tr>
<td>FY07-08</td>
<td>$ 649,687</td>
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<tr>
<td>FY08-09</td>
<td>$ 593,413</td>
</tr>
<tr>
<td>Total</td>
<td>$2,316,771</td>
</tr>
</tbody>
</table>

Excess surplus to track during FY09-10 $ 1,043,981

**AGENCY OBJECTIVES:**
The Agency intends to expend the Tax Increment Set-Aside funds on high quality, affordable housing units that will provide the Old Town Redevelopment Project Area with safe, sanitary and affordable housing. The Agency intends to expend funds on both single-family and multi-family projects to produce units that will be affordable to very low-, low-, and moderate income households. The Agency currently has four projects identified for Redevelopment Assistance.

**IDENTIFICATION OF ENTITIES:**
Housing Set-Aside funds are administered by Linda Wertman, Redevelopment Program Coordinator for the Lompoc Redevelopment Agency. On December 1, 2009, the Agency sent out a Notice of Funds Available (NOFA) to over 97 Affordable Housing Developers, applications for this NOFA must be received by February 1, 2010. All affordable housing projects funded by the Agency include a 55-year Covenant for rental and 45-year Covenant for owner-occupied housing. The Agency is currently working with four organizations that are potential recipients of the surplus Set-Aside funds. These organizations are:

1. Lompoc Housing and Development Corporation (LHCDC) which currently has two projects that may receive Set-Aside funding. The T Street Apartments project, which will be located at 518 North T Street, has approved loans for $510,000; loan
documents should be executed in 2010. The other potential project is known as Casa Desarrollo located at 114 South K Street, an affordable housing SRO project that will target young adults exiting the Foster Care Program as well as other low income youth.

2. Habitat for Humanity currently has two projects the Agency assisted with acquisition funding that may request additional funding from Set-Aside in order to initiate construction. The projects are located at 308 North K Street and 1404-1408 West College.

3. Pacific West Communities, Inc has submitted an application for $1.8 million in funding to assist the construction of a 78 unit senior project located at 1420 East Ocean Avenue within the Project Area. The Agency is currently processing that application. We anticipate the application processing will be completed in January 2010 and will go to the Agency Board in early February.

4. Santa Barbara Housing Authority has approached the Agency with a request to participate in a new development that was recently approved by the Agency Board which is located at 815 West Ocean Avenue. The project will provide 55 units of affordable housing. An application has not been received by the Agency to date, however we anticipate an application will be received in 2010.

**SCHEDULE OF ESTIMATED EXPENDITURE BY FISCAL YEAR:**

<table>
<thead>
<tr>
<th>Excess Surplus for FY09-10</th>
<th>$1,043,981</th>
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<tbody>
<tr>
<td><strong>FY09-10</strong></td>
<td></td>
</tr>
<tr>
<td>T Street Apartment Project</td>
<td>$510,000</td>
</tr>
<tr>
<td>Habitat for Humanity Projects (est.)</td>
<td>$240,000</td>
</tr>
<tr>
<td><strong>Total FY09-10 Set-Aside Expenditure</strong></td>
<td>($750,000)</td>
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<tr>
<td><strong>FY10-11</strong></td>
<td></td>
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<tr>
<td>Pacific West Communities (est.)</td>
<td>$1,000,000</td>
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<tr>
<td>Housing Authority Project (est.)</td>
<td>$350,000</td>
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<tr>
<td>Casa Desarrollo (est.)</td>
<td>$500,000</td>
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<tr>
<td><strong>Total FY10-11 Set-Aside Expenditure</strong></td>
<td>($1,850,000)</td>
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<tr>
<td><strong>Total Fund Expenditure of the next two years</strong></td>
<td>$2,600,000</td>
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</table>

The Agency anticipates the Excess Surplus funds will be completely spent by the end of FY10-11. In addition to the identified projects in this plan the NOFA may bring additional funding opportunities for the Agency.