Public Improvements

Community Enhancement

FIVE YEAR IMPLEMENTATION PLAN

2010 through 2014

For the

DOWNEY COMMUNITY DEVELOPMENT COMMISSION
DOWNEY REDEVELOPMENT PROJECT
AND
WOODRUFF INDUSTRIAL PROJECT

Affordable Housing

Downey California

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by
Economic & Development Specialist

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I. INTRODUCTION

A. Redevelopment in California at a Critical Crossroads

1. Revitalizing Cities

Redevelopment is a process authorized under California law that enables cities to revitalize deteriorated and blighted areas in their jurisdictions. California has more than 397 active redevelopment agencies throughout the state. While they are probably the least understood local government entities, redevelopment agencies represent the most important tool a city has to revitalize deteriorating areas and to generate revenues which provide services to citizens within the community. Redevelopment agencies develop a redevelopment plan and provide the initial funding to launch revitalization of identified areas (project areas). In doing so, redevelopment encourages and attracts private sector investment that otherwise wouldn't occur. Redevelopment activities create jobs, expand business opportunities, provide affordable housing, replace and upgrade infrastructure such as streets, water lines, and sewers, provide community facilities, clean-up contaminated properties, encourage sustainable communities, and help reduce crime. Often, the private sector is reluctant to invest in such rundown areas because the risk and costs associated with doing so outweigh the benefits. Redevelopment serves as a catalyst for private investment by providing the initial plan and seed money that ultimately breathes new life into areas in need of economic development. Redevelopment is one of the most effective ways to revitalize an area plagued by social, physical, environmental, or economic conditions hindering private investment.

California redevelopment agencies have powers that are similar to other local government agencies. These powers generally include the ability to adopt budgets, incur debt, construct, acquire and dispose of property and construct public improvements. However, redevelopment agencies have three unique powers that may only be exercised by an established redevelopment agency. These powers include the ability to buy property for resale to a private party, the authority to acquire property through the use of eminent domain, and the authority to collect tax increment revenue to finance a redevelopment program.

Each redevelopment agencies powers are defined in a redevelopment plan that is created when a redevelopment project area is adopted.

Restoring blighted areas is often economically infeasible for the private sector to do on its own. The initial community improvements made by redevelopment agencies, coupled with their commitment of funds and low-cost financing, reduce the cost and risk factors associated with these projects. In essence, redevelopment agencies make these projects more attractive and economically feasible for the private sector to undertake. Specifically, redevelopment agencies encourage private investment by:

- Assembly/acquisition of project sites and making those sites ready for private redevelopment;
- Building or rehabilitating area infrastructure such as streets, sewers and water lines in order to make revitalization projects attractive and feasible;
- Issuing low-cost loans or grants to small businesses that pay for physical improvements to their properties;
- Clearing an area of existing blight or environmental hazards that make projects too costly or unattractive to the private sector;
- Making quality of life improvements by building libraries, parks and community centers.
- Improving public safety and reducing crime by building police and fire stations;
- Building affordable housing, helping low- and moderate-income individuals become new homeowners, or funding rehabilitation of existing housing for working families.

2. Tax Increment Financing

Tax Increment Financing is the economic engine that drives redevelopment activity. Redevelopment agencies do not levy taxes and do not have the ability to raise taxes. They simply receive a portion of the property tax revenues generated when property values rise as a result of new investment and new development.

Tax increment financing is the primary source of funding used to carry out redevelopment activities and undertake redevelopment projects in a community. Tax increment financing is based on the assumption that as an area is revitalized, more property taxes will be generated as a result of redevelopment. When a redevelopment project area is adopted, the current assessed values of all the properties within its boundaries are designated as the base year value. As assessed values increase in a project area, tax increment revenue is generated by capturing the amount of value added since the base year value was established. The increase in tax revenue, known as tax increment, goes to an agency for reinvestment back into a project area, thereby benefiting the community.

When redevelopment agencies improve deteriorated areas, property values within those areas rise, thus, increasing property tax revenues. The increased property taxes resulting from redevelopment activity are referred to as “tax increment.” State law allows redevelopment agencies to pledge tax increment so that they can repay bonds and other types of debt incurred to make investments in project areas. In essence, redevelopment agencies fund themselves when they make improvements to their communities. Redevelopment agencies use these funds to buy property, build public improvements and infrastructure, clean-up contaminated soil, and do other things necessary to improve the conditions of the property. This in turn attracts private investment and creates a chain reaction where the ultimate economic output and benefits to the community are larger than the original public investment. This process stimulate increases in property values that otherwise would not have occurred.

California Redevelopment Law (CRL) requires that a portion of tax increment revenue received by a redevelopment agency must be used for the creation and preservation of affordable housing within the project area. The CRL requires that 20% of tax increment revenue be set aside into a separate fund that is restricted for the purpose of creating low and moderate income housing.

The California Community Redevelopment Act was enacted in 1945 to give local governments the tools necessary to address problems such as blight, degraded buildings and a lack of housing. While the Act is now known as Community Redevelopment Law, the goals of redevelopment remain the same: to focus on problems in developed areas. The CRL was revised in 1993 to further restrict and focus redevelopment activities, ensuring that they can occur only in predominately urbanized areas on previously or currently developed properties.

3. Impressive Accomplishments Resulting from Redevelopment in California

- $40.79 billion. Redevelopment’s economic contribution to California in 2006-2007.
- $13. Every $1 of redevelopment agency spending generates nearly $13 in total economic activity.
- 303,946. Full and part time jobs created in just one year (2006-2007).
- 78,750 units of affordable housing built or rehabilitated since 1995 by redevelopment agencies.
- 18,522 units of low and moderate income housing expected to be built or refurbished over the next two years.
- $2 billion. State and local taxes generated through redevelopment construction activities in 2006-2007.
- 20% of property tax revenues generated from redevelopment activities must be used to increase supply of affordable housing.

- 2nd largest funder of affordable housing in California after the federal government

Source: California Redevelopment Association 2009

4. Redevelopment in California at Risk

The State of California has not always recognized redevelopment's contributions to California's economy. On seven occasions, the State has taken away funds from redevelopment investment. In 1992 and 1993, the State Legislature was confronted with a budget greatly out of balance. As part of the solution, the Legislature established the Education Revenue Augmentation Fund (ERAF) and required a portion of property tax increment to be allocated to schools through this device. (An ERAF "shift" reduces dollar-for-dollar the amount of State general fund aid to schools, making up for it with redevelopment funds.) In 1992, the shift from redevelopment agencies to ERAF amounted to $205 million. In 1993-94 and 1994-95, redevelopment agencies were required to transfer $65 million each year to ERAF. Take-aways occurred again in 2002-03 and 2003-04 with redevelopment agencies transferring $75 million and $135 million, respectively, to ERAF. In 2008 the state attempted to take $350 million from redevelopment agencies statewide.

To date, a total of $545 million has been redirected from rebuilding our cities. However, the 2004-2005 State budget proposes an additional $250 million ERAF transfer for each fiscal year of 2004-2005 and 2005-2006 producing a thirteen year ERAF total of $1.045 billion.

The State of California, unable to manage its finances, continued to try to take money from California redevelopment agencies to pay for the States' education funding obligations under Proposition 98. In 2008, the California Redevelopment Association (CRA) finely filed suit when the State attempted to take $350 million from California redevelopment agencies. In April 2009, Sacramento County Superior Court ruled that State raids of redevelopment funds were unconstitutional, invalidating a 2008 state budget bill to take $350 million in redevelopment funds. Despite the clear unconstitutionality, just three months later legislators and the Governor approved budget bill AB 26 4x which authorizes a devastating $2.05 billion raid of local redevelopment funds, including $1.7 billion in FY 2009-10 and another $350 million in FY 2010-11. This $2.05 billion is called a Supplemental Educational Revenue Augmentation Fund. The California Redevelopment Association and some of its member agencies filed a lawsuit again to challenge the constitutionality of State raids of redevelopment funds. In the case of the Downey Community Development Commission (also known as CDC), of the $4,132, 141 of tax increment it will receive in FY 2009-10, the State of California plans to take $1,422,470 during FY 2010-11 to pay its obligations. This is 34.4% of the total $4,132,141. For FY 2010-11 the state plans to take an additional $292,862. For some, more active redevelopment agencies throughout California, the take reaches almost 40%. A recent study by

Time Structures Inc. found that the $205 billion take-away from redevelopment agencies can result in almost 198,000 less jobs in California.

Over the decades local governments, for the most part, have done a good job at being fiscally responsible while the state government continues to overspend. Because of this the State has raided one of the only economic engines left in California. As local jurisdictions, closest to the people, we can not afford to loose such a valuable tool as redevelopment in California.

B. Legal Requirements

This document is the Five-Year Implementation Plan for the CDC for the five year period of 2010 through 2014. This document includes the goals and objectives of the Downey Redevelopment Project and the Woodruff Industrial Project. The Downey Redevelopment Plan was adopted in August 1978 and subsequently amended in 1979, 1980, 1987, 1991 and 1994. The Woodruff Industrial Project was adopted in 1987 and amended in 1994.

Article 16.5 of the California Community Redevelopment Law (Section 33490 of the California Health and Safety Code) requires that on or before December 31, 1994, and each five years thereafter, each agency that has adopted a redevelopment plan prior to December 31, 1993, shall adopt, after a public hearing, an Implementation Plan that shall contain 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 next five years, and an explanation of how the goals and objectives, programs, and expenditures will eliminate blight within the project area.

Over the years the Community Redevelopment Law (CRL) has required Implementation Plans to address, in more detail, new housing production, rehabilitation and price restricted units. A portion of the Implementation Plan must address the Agency's low and moderate income housing responsibilities. This section of the Implementation Plan shall contain (i) the amount available in the Low and Moderate Income Housing Fund and the estimated amount to be deposited into this Fund during each of the next five years; (ii) a housing program with estimates of the number of new, rehabilitated, or price-restricted units to be assisted during each of the five years; (iii) estimates of the expenditures of moneys from the Low and Moderate Income Housing Fund during each of the five years. For the previous implementation plan period, the Implementation Plan shall include (i) the amounts of Low and Moderate Income Housing Fund moneys utilized to assist units affordable to, and occupied by, extremely low income households, very low income households, and low-income households; (ii) the number, the location, and level of affordability of units newly constructed with other locally controlled government assistance and without agency assistance and that are required to be affordable to, and occupied by, persons of low, very low, or extremely low income (for at least 55 years for rental housing or 45 years for homeownership housing); and (iii) the amount of Low and Moderate Income

Housing Fund moneys utilized to assist housing units available to families with children, and the number, location, and level of affordability of those units.

The agency may amend the Implementation Plan after conducting a public hearing on the proposed amendment. Adoption of an Implementation Plan shall not constitute an approval of any specific program, project, or expenditure and shall not change the need to obtain any required approval of a specific program, project, or expenditure from the agency or community. The adoption of an Implementation Plan shall not constitute a project within the meaning of Section 21000 (CEQA) of the Public Resources Code.

C. Issues Addressed in the Implementation Plan

The primary purpose of the Implementation Plan is to fulfill the CDC's legal requirements. Another important purpose is to plan and document the efforts the CDC will undertake during the next five years to alleviate blight, improve the City's low and moderate income housing and improve the community's economic base. This Implementation Plan provides a clear and reasonable statement of the CDC's current intent regarding activities in the Project Areas. It also establishes a nexus between CDC goals and objectives, program activities and the purpose of redevelopment, which is to eliminate blight and to develop, preserve, and rehabilitate affordable housing.

Section 33490 of the Health and Safety Code requires that an Implementation Plan include the following:

- 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 next five years
- an explanation of how the goals and objectives, programs, and expenditures will eliminate blight within the project area
- if a redevelopment plan time limit has been extended including the payment of indebtedness and receipt of property taxes, the plan must address the requirement of Section 33333.10 of the Health and Safety Code
- The fiscal year in which certain redevelopment activities will expire (time limits) including: the use of eminent domain, establishment of loans, advances, and indebtedness to finance the redevelopment project, the time limit for the effectiveness of the redevelopment plan, and the time limit to repay indebtedness with the proceeds of property taxes.

This Implementation Plan is a policy statement rather than an unalterable course of action. It has been prepared to set priorities for redevelopment activities within the Project Areas for the five-year period covered by this Plan and incorporates currently known financial constraints in developing a program of activities to accomplish essential, near-term revitalization efforts for the Project Areas. Given the uncertainty of the CRA lawsuit, this implementation plan will provide anticipated revenues with and without the State of California take-away of redevelopment funds. The Implementation Plan must also address the CDCs housing requirements. Section V (Five-Year Affordable Housing Compliance Plan) of this document addresses those requirements. The Five-Year Affordable Housing Compliance Plan will also be predicated with and without the State raid on redevelopment funds.

However, new issues and opportunities may be encountered during the course of administering the Redevelopment Plans for the Project Areas during the five-year period. Therefore, this Implementation Plan may be amended if necessary to carry out the overall purposes of the Redevelopment Plans.

D. Blighting Conditions

Blighting conditions are specific physical or economic conditions defined in Sections 33030 and 33031 of the Health and Safety Code. A blighted area is a predominantly urbanized area in which there is a reduction of, or lack of, proper utilization of the area 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. A blighted area also may be one that is characterized by the existence of inadequate public improvements, parking facilities, or utilities in addition to other blighting conditions. Section II B of this report provides the specific goals the Agency will undertake to eliminate blighting conditions within the project area. Critical definitions of blight from the Health and Safety Code follow:

1. Section 33030 defines a blighted area as:

> "… (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 the area to such an extent that it constitutes a serious physical and economic burden on the community that 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 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.

(c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities."

2. Section 33031(a) defines physical blight as:

"(1) Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.

(2) Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.

(3) Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.

(4) The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions."

3. Section 33031(b) defines economic conditions that cause blight:

"(1) Depreciated or stagnant property values.

(2) Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459[hazardous substances]).

(3) Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.

(4) A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

(5) Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article

5 (commencing with Section 32) of Chapter 1 of Title 25 of the California Code of Regulations.

(6) An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant in public health, safety, or welfare problems.

(7) A high crime rate that constitutes a serious threat to the public safety and welfare.”

II. BACKGROUND

A. Community Development Commission History, Objectives of the Projects, and Major Accomplishments

1. History

The Downey Redevelopment Agency (also known as CDC) was created by Ordinance No. 496, on January 12, 1976. The CDC is a legal and separate public body, with separate powers and a separate budget from the City. The CDC is composed of the five City Council members who act as the CDC Board Members. The City Manager serves as Executive Director and CDC Secretary. Other staff members of the CDC include the Assistant City Manager, Deputy City Manager of Community Development, Director of Economic Development and Finance Director. There are two redevelopment project areas, the Downey Redevelopment Project and the Woodruff Industrial Project area referenced below.

a. Downey Redevelopment Project

The Downey Redevelopment Plan was originally adopted on August 8, 1978 by Ordinance No. 553. The Plan was subsequently amended on August 14, 1979 (Amendment No. 1) by Ordinance No. 603, October 28, 1980 (Amendment No. 2) Ordinance 633, and on July 10, 1984 (Amendment No. 3). Amendment No. 3 was invalidated by the Los Angeles Superior Court on December 2, 1985. The Downey Redevelopment Plan was amended again on July 20, 1987 by Ordinance No. 856 (Amendment No. 4). This amendment made contiguous all areas adopted with the original plan and Amendment No. 2. In July 9, 1991, Amendments 5A (Ordinance No. 930) and 5C (Ordinance 931) were adopted to increase the land within the Redevelopment Plan. On December 13, 1994 Ordinance No. 990 was adopted amending the Downey Redevelopment Plan, to provide for time limitations on establishment of indebtedness, effectiveness of the Redevelopment Plan, and the duration of the receipt of tax increment revenues.

The original Downey Redevelopment Plan area consisted of four small subareas. Subarea A was known as the Gardendale/Paramount area, subarea B was known as the Regentview/Pangborn area, subarea C was known as the hospital area, and subarea D was known as the downtown area. The original project area consisted of approximately 105 acres.

Amendment No. 1 amended land uses within the project area and changed portions of the text of the plan. This amendment did not add land area.

Amendment No. 2 added approximately 25 acres adjacent to subarea D, adjacent to the Civic Center. These properties eventually became the site on which the Embassy Suites Hotel and Mimi's Restaurant were developed.

Amendment No. 3 was invalidated. Amendment No. 4 substantially increased the Downey Redevelopment Project area by adding approximately 305 acres on both sides of Firestone Blvd. from the San Gabriel River to Old River School Road. Properties in the downtown area were also added for redevelopment assistance. Amendment No. 4 did not contain the power of eminent domain.

Amendment No. 5 initially started with three subareas. Subarea 5 A (Amendment No. 5A) added approximately 14.3 acres south of, and including the Southern Pacific Railroad tracks between Brookshire Avenue and Patton Road north of Downey Community Hospital. The purpose of Amendment 5A was to add area to the Project Area, change the financial limitations, allow the collection of tax increment funds from within the 5A area boundaries, and expand the list of public improvements/facilities that would benefit the 5A area and the Project Area. Subarea 5B (Amendment No. 5B) was never adopted. Subarea 5C (Amendment No. 5C) added approximately 15.36 acres and is located at the intersection of Lakewood Boulevard and Gallatin Road. Amendments 5A and 5C increased the total Downey Redevelopment Project Area to a total of approximately 465 acres. The purpose of Amendment 5C was to amend the existing Redevelopment Plan in order to add area and expand the list of public improvements/facilities that would benefit the community. The CDC did not propose to collect tax increment funds from the 5C Area but did include eminent domain authority for portions of the 5C Area. Eminent domain authority has expired for this and other areas of the Project Area.

In consideration of the State of California taking money from redevelopment agencies including the CDC, the state provided time extension amendments. These time extensions extended limitations on establishment of indebtedness, effectiveness of the Redevelopment Plan, and the duration of the receipt of tax increment revenues.

b. Woodruff Industrial Project

The Woodruff Industrial Project was adopted by Ordinance 855 on July 20, 1987. This project includes most of the older industrial area on Woodruff Avenue, south of Stewart and Grey Road, north of Columbus High School. The Woodruff Industrial Project provides for low-and moderate income housing outside the Project Area because there is no residential zoning within this project area.

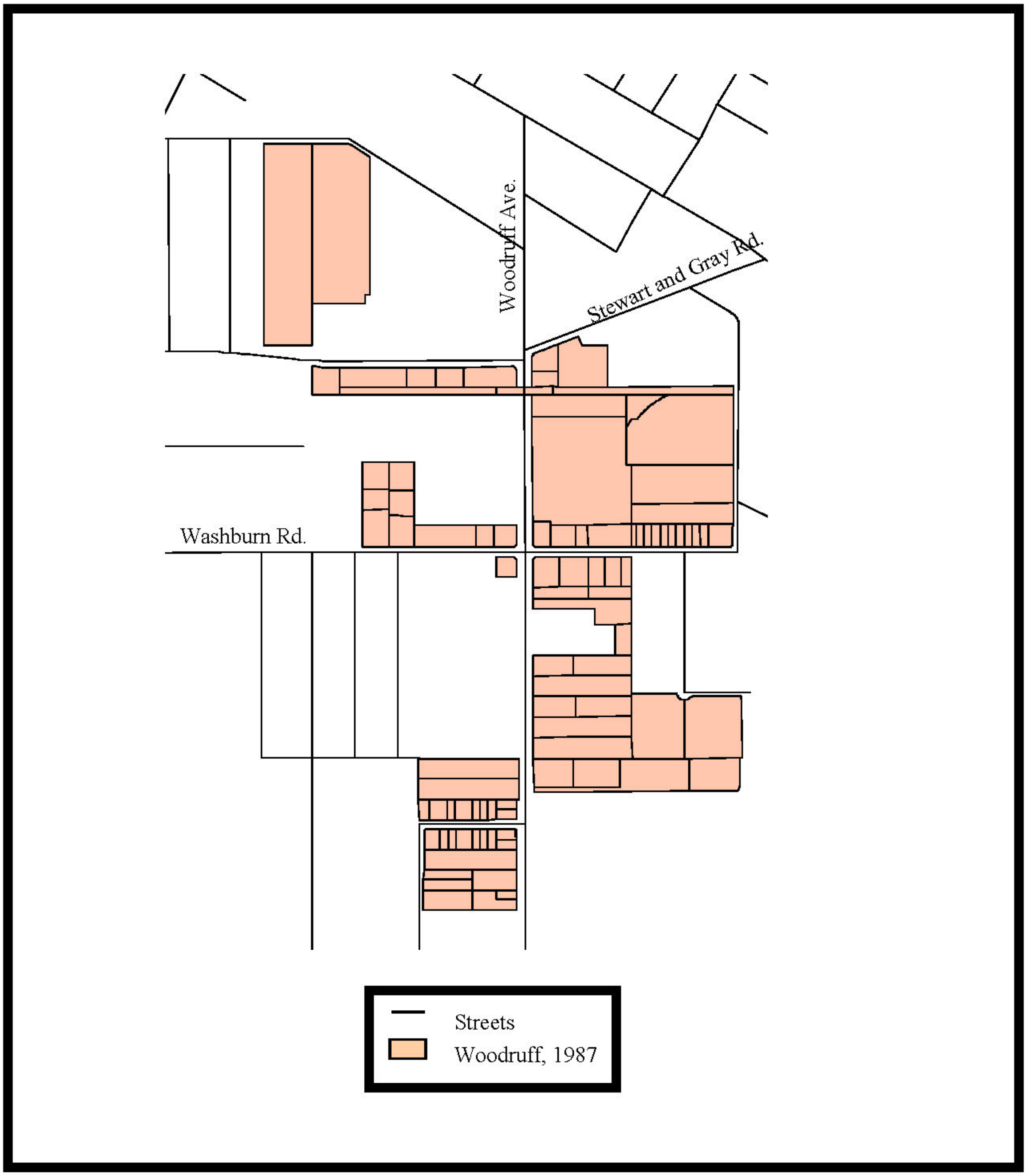
On December 13, 1994 Ordinance No. 991 was adopted amending the Woodruff Industrial Redevelopment Plan, to provide for time limitations on establishment of indebtedness, effectiveness of the Redevelopment Plan, and the duration of the receipt of tax increment revenues. These limits are outlined later in this section.

City of Downey

Downey Redevelopment Project Area

City of Downey

Woodruff Industrial Project



C. Eminent Domain

Under redevelopment law, redevelopment agencies are provided with the power of eminent domain. This tool can facilitate the assemblage of blighted real property for critical or large scale developments. The CDC does not have this authority. In 1985, the authority of eminent domain was removed, with the invalidation of Amendment No. 3, which resulted in the CDC dropping the use of eminent domain. While the elimination of this redevelopment tool has made it more challenging for the CDC to address its objectives, there are several ways to compensate for this limitation. One method is to up-zone properties in strategic areas so that the private sector has an incentive to assemble properties for redevelopment. If this were to occur, new tax increment would become available for such uses as the repayment of agency debt and or for improving services to the project areas including police and fire, and public improvements.

The CDC has a limited amount of tax increment revenue with which to work. This financial constraint limits the number of programs and projects which can be undertaken to revitalize the Project Areas. A comparison of the gross tax increment revenue collected by the CDC for the 2007-2008 fiscal year to redevelopment agencies in similar or smaller cities in the region demonstrates this constraint. Tax increment revenue collected in Downey (including both Project Areas) was $2,906,890 in 2001 – 2002 and $3,846,636 in 2007-2008. Table 1 below compares the gross tax increment revenue collected by the following cities during the same period.

Table 1

Comparison of Gross Tax Increment Collected

City	FY 1992-1993	FY 2001-2002	FY 2007-2008
Cerritos	$17,167,512	$22,400,298	$32,454,062
Santa Fe Springs	$13,647,017	$19,395,587	$28,794,523
Montebello	$11,860,438	$9,818,110	$15,447,953
Compton	$10,198,886	$14,093,948	$22,909,944
Paramount	$6,200,464	$7,338,119	$11,719,632
La Mirada	$5,900,847	$9,146,544	$15,526,557
Huntington Park	$5,375,459	$8,237,082	$13,693,099
Pico Rivera	$7,480,559	$2,656,790	$ 6,908,129
Downey	**$1,575,890**	**$2,906,890**	**$ 3,846,636**

Source: State of California Community Redevelopment Agencies Annual Report, Fiscal Year 2007-2008

Of the $3,846,636 in Tax Increment the Downey project generated $3,455,598 and the Woodruff project generated $392,038.

2. Objectives of the Project Areas

A primary objective of both the Downey Redevelopment Plan and the Woodruff Industrial Project is the elimination and prevention of blight, the improvement and/or construction of public facilities, roads and other public improvements. Another objective is the attraction and facilitation of new developments within the project area for purposes of increasing the City of Downey residential, commercial and industrial resources.

3. Major Accomplishments

All of the projects listed below helped eliminate physical and/or economic blight. In addition, these project created new jobs, sales tax, tax increment, and in the case of Embassy Suites created bed tax.

Projects identified in the 2005-2009 Implementation Plan are assessed in more detail in Section III (REVIEW OF THE 2005-2009 IMPLEMENTATION PLAN) of this document.

As a result of the redevelopment program, the CDC has eliminated blighting conditions, help build, retain and rehabilitate affordable housing, completed a number of public improvements and attracted new commercial development. This activity has increased revenue to the City in the form of higher property taxes, due to higher valuations after redevelopment has occurred, as well as sales tax generated from new commercial projects. The creation of new jobs, a lower crime rate, and quality housing which has remained affordable to lower and moderate income households, have all combined to attract new families to the City and improved the quality of life in Downey.

The list of previous CDC accomplishments is significant. However, only the more substantial projects are included herein.

<u>Embassy Suites/Mimi's Project</u> - Downey Project Area

This 220 room hotel and Mimi's restaurant was completed in 1985.

<u>Penske Toyota</u> - Downey Project Area, 9136 Firestone Blvd.

This project resulted in the reopening of the Toyota dealership. The prior Toyota dealership had been closed, was not employing anyone nor was it generating sales tax. The CDC entered into a Disposition and Development Agreement (DDA) with Penske Toyota. As a result of the DDA, the dealership was rebuilt and was completed in 1992. The terms of the DDA provided for a base sales generation with sales tax rebates if Penske exceeded certain sales tax thresholds. Upward base rent adjustments were provided on a yearly bases for a total of five years. This agreement provided for the retention of jobs and hundreds of thousands in sales tax generation which would not have occurred were it not for the CDC's involvement. In today's poor economy, Penske Toyota continues to provide jobs, sales tax and tax increment.

<u>Kirkorian Premier Theatre Project</u> – Downey Project Area, 8200 Third Street.

This 10-screen, 1,960 seat movie theater was completed in 1997. The CDC entered into a DDA with Krikorian Premier Theatres which included the sale of CDC owner property, a shared use parking agreement and a parking in-lieu parking fee. The DDA provided for 405 required parking spaces. This project was projected to bring up to 400,000 vehicles trips to the downtown area per year.

<u>Downtown Parking Structure -</u> Downey Project Area, 8206 Third St.

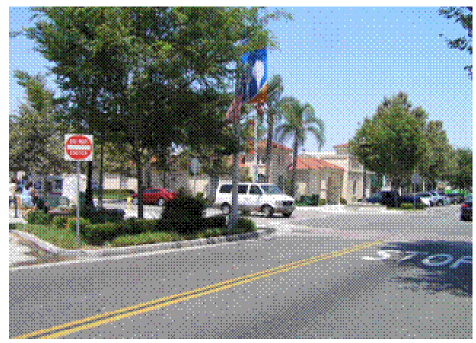
This four-level, 403 space parking structure was completed in 1997. This project would not have happened were it not for the parking in-lieu fees paid for through the adjacent Kirkorian Premier Theatre project.

Theatre Block Streetscape Project - Downey Project Area, Krikorian Theater block

This public works project included replacement of sidewalk, curbs, gutters, and the installation of trees, landscaping, and lighting and was completed in 1997. This project finished off the Krikorian Theater and parking structure projects. They are shown in the associated photographs. The Krikorian projects were intended to revitalize a declining downtown area by bring up to 400,000 vehicle trips per year to the downtown area.

Downey Avenue and Third Street Streetscape - Downey Project Area

This project resulted in significant public works and streetscape improvements to Downey Avenue from Firestone Boulevard to 5th St. Similar improvements occurred on Third Street from Downey Avenue to City Hall. This project was completed in 2002 and improved the pedestrian environment in the downtown area.



Water Flow Projects - Woodruff Industrial Project Area

These projects were upgrades to fire protection services for properties in the vicinity of Regentview Avenue between Steward & Gray Road and Washburn Road. A second water flow project consisted of installing a 20-inch waterline along Woodruff Avenue between Imperial Highway and Stewart & Gray Road and was completed in 2002

Heritage Count Senior Apartments - Downey Project Area
8117-22-33 Third Street

The CDC entered into a Development and Disposition Agreement (DDA) with the Los Angeles Community Design Center who built a 31-unit senior housing project. This project resulted in the removal of five (5) very low-income units. The CDC targeted all 31 units for occupancy by very low- and low-income senior households.

The total project cost is $3.5 million. The CDC assisted this development with an allocation of approximately $1,400,000 from the Housing Set-Aside Fund.

B. Proposed Redevelopment Actions to be Accomplished Over the Duration of the Redevelopment Plan

The specific goals and objectives of the Downey Redevelopment Project and Woodruff Industrial Project Areas can be found in Attachment A of this document. The following is a summary of those goals and objectives:

- Eliminate blighting influences.
- Encourage existing owners, businesses, and tenants within the Project Areas to participate in the redevelopment activities.
- Provide adequate public improvements, public facilities, open space, and utilities which cannot be provided by private or governmental action without redevelopment.
- Provide construction and employment opportunities in the development of new facilities and provide employment opportunities in the operation of new industrial and commercial facilities.
- Consolidation of small underutilized parcels that normally could not be consolidated by private enterprise acting alone.
- Assist in providing housing inside and outside the Downey Project Area to satisfy the needs and desires of various age, income and ethnic groups to the community, maximizing opportunity for individual choice.
- Encourage private sector investment in the project areas.
- Promote the economic well being of the project areas by encouraging diversification of its industrial and commercial base.
- Implement the General Plan and Zoning Ordinance.

Programs and projects itemized in Sections III, IV, and V of this document are intended to implement these goals and objectives. The goals and objectives referenced in Table 4 are those itemized in Attachment A.

C. Project Area Limitations

A redevelopment project does not last forever. Each project includes time and financial limitations dealing with: the use of eminent domain; establishment of loans, advances, and indebtedness to finance the redevelopment project; the time limit for the effectiveness of the redevelopment plan; and the time limit to repay indebtedness with the proceeds of property taxes.

Table 2 “Downey Project and Woodruff Areas Plan Limitations” and “Woodruff Redevelopment Project Plan Limitations” show critical limitation dates. Table 2 shows time is running out for both the Downey and the Woodruff project areas. With the exception of two small areas Amendment No. 5A and 5C neither project can incur new debt. Amendment No. 5A and 5C has until July 2011 to incur debt. However, on the positive side, both project areas still have time to perform redevelopment activities and try to attract private investment which will generate new tax increment.

Over time, tax increment increases or decreases depending on the growth in assessed value above the frozen base for each of the two project areas. In order to maximize the amount of future tax increment, the CDC needs to strategically invest its limited resources to promote the growth and stability of real estate assessed values in both project areas. The following are recommendations to maximize future tax increment (TI):

- Encourage rehabilitation and improvement of properties that remain in the same ownership.
- Stimulate new development and make sure the assessment roll accurately reflects these values
- Work closely with the county assessor to monitor and understand the impact of assessment appeals and Proposition 8 adjustments
- Reduce the impact from foreclosed and real estate owned properties by requiring lenders to maintain properties and find new buyers for distressed properties
- Promote economic development programs that retain existing businesses, encourage business expansion, and attract new business
- Leverage other funding sources, including newly available federal funding sources. While no one can predict the future, agencies can plot a successful course through these turbulent times by continually monitoring their tax increment growth and strategically investing their resources to stimulate future growth in assessed value.

In the absence of use of Eminent Domain, the CDC has utilized some of these methods to maximize tax increment.

Downey Redevelopment Project Limitations

Downey Proj Area Name	County Project Area Name	Ord#	Plan Adopted	Amended	Last date to Incur Debt	Proj Area End Date	Last Day to Pay Debt or Collect Tax Increment	Tax Incr Cap	Debt Cap
Original	Project #1	553	8/8/1978	7/9/1991	8/8/1998	8/8/2018	8/8/2028		
Amend 1	n/a	603		8/14/1979	n/a	n/a	n/a	n/a	n/a
Amend 2	Project #1/81 Annex	633		10/28/1980	10/28/1999	10/28/2020	10/28/2030		
Amend 3	n/a	723	n/a	7/18/1983	n/a	n/a	n/a	n/a	n/a
Amend 4*	RP #4 /88 Annex	856		7/20/1987	7/20/2007	7/20/2027	7/20/2037	165,000,000	n/a
Amend 5A	Project #1 /92 Annex	930		7/9/1991	7/9/2011	7/9/2031	7/9/2041		
Amend 5C	Project #1 /92 Annex	931	n/a	7/9/1991	7/9/2011	7/9/2031	7/9/2041	n/a	n/a

Woodruff Redevelopment Project Limitations

Downey Proj Area Name	County Project Area Name	Ord#	Plan Adopted	Amended	Incur Debt	Proj Area End Date	Last Day to Pay Debt or Collect Tax Increment	Tax Incr Cap	Debt Cap
Woodruff	Woodruff	855	7/20/1987	n/a	7/20/2007	7/20/2027	7/20/2037	$ 70,000,000	n/a

III. REVIEW OF THE PRIOR IMPLEMENTATION PLAN

The prior Implementation Plan 2005 – 2009 included Goals and Objectives as required by CRL and are listed below in part A. Part A of this review will be divided into non-housing goals, objectives and programs. Part B will review housing programs undertaken during the 2005-2009 time period.

A. Non Housing Goals, Objectives, Programs/Projects and Status

The CDC goals for both project areas during 2005-2009 continued to strengthen the economic environment, and enhance the residential community with safe, decent, sanitary, and affordable housing, supported by recreational and cultural opportunities.

Implementation of the Downey Redevelopment Plan and the Woodruff Redevelopment Plan is more challenging given that the CDC does not have condemnation powers in either of its two project areas. Condemnation powers have either expired or never existed within the projects areas or amendments.

2005-09 Implementation Plan Objective 1: Assistance to property owners, business and tenants in the improvement of their properties to carry out the objectives of the Redevelopment Plans.

Programs/Projects:

Façade Improvement Program – Downey Project Area

This Program provided a rebate to business owners and property owners in the Downtown area interested in making exterior improvement on commercial buildings.

Status - In August 2008 the CDC entered into an Owner Participation Agreement (OPA) with JKBBD for a façade improvement grant to revitalize the old Johnnie's Broiler building at 7447 Firestone E. Blvd. The old Johnnie's Broiler will be rebuilt and become a Bob's Big Boy. The OPA provided for a sublease to and from the CDC in which the CDC would pay a portion of the rent payment as a grant to JKBBD. The purpose of the grant was to pay for façade improvements. A provision of the OPA also provided for the CDC to pay JKBBD for the creation of not less than forty (40) equivalent full time jobs. Grants for addition jobs created may continue for up to fifteen years provided gross revenues exceed an escalating formula.

<u>Sign and Awning Program</u> – Downey Project Area
This Program offers a rebate to business and property owners within the Downtown area who install new signage and awnings.
Status - With the help of the CDC, the before mentioned Bob's Big Boy project helped restore the historic Johnnie's Broiler sign.

2005-09 Implementation Plan Objective 2: Encouragement of existing owners, businesses, and tenants within the Project Areas to participate in the redevelopment activities, thus sustaining and improving the existing economic base of the community.

Programs/Projects:
<u>Identify Underutilized Properties.</u> – Downey Project Area
The Agency can pursue industrial and commercial sites in order to eliminate blight and put the property back into productive use. The CDC may provide assistance with the environmental assessment and remediation in order to improve the potential redevelopment of the site.
Status – The Bob's Big Boy project resulted from an Owner Participation Agreement which was executed by the CDC and the property owners. In addition the CDC staff has initiated a program to expedite the entitlement and entitlement process. To qualify for this process a business or developer must meet the following criteria:

- Invest a large amount of funds into the project
- Create a significant number of local jobs
- Product substantial sales tax, or property tax
- Meet community objectives of bringing desirable businesses to the community

The new Nissan dealership met all of these needs when it took over the site vacated by Acura.

<u>Implementing a comprehensive improvement strategy for the Downtown Area</u> **-** The CDC will provide financial support to implement the Downtown Improvement Strategy, a program consisting of three major components: street reconstruction, business promotion, parking and rehabilitation assistance. The Downtown Improvement Strategy includes:

The Zoning Parking Space Credit Program will enable businesses that are expanding or intensifying their use, to utilize, for a one-time or annual fee, a public parking lot for extra needed parking spaces.

Status – A restaurant, dental office, 3 medical offices, and a hair salon have paid annual fees to the city for a total 35 parking spaces. These businesses paid annual fees which will be renewed annually.

Incentive to encourage property owners to seek commercial business loans to bring structures up to current building codes and correct building code violations.
Status – No businesses took advantage of this program.

2005-09 Implementation Plan Objective 3: Installation and/or upgrading of traffic signals, freeway ramps, channelization, lighting and signing of various intersections and correction of other existing circulation deficiencies inside and outside the Project Area.

Programs/Projects:
<u>Firestone Boulevard Traffic Signal Upgrades</u> – This project will provide east - west protective left turning lanes along Firestone Boulevard. The project will include the installation of fiber optics connected traffic signals and video cameras to improve traffic flow. The projected cost is $1.6 million, coming from a variety of funding sources.
Status – This project was completed

B. Housing Programs/Projects and Status

An objective of Amendment 4 of the Downey Project Area was "Provision of housing inside and outside the Downey Project Area to satisfy the needs and desires of various age, income and ethnic groups to the community, maximizing opportunity for individual choice". The 2005-2009 Implementation Plan include a program to produce twenty eight (28) low and moderate income units and expend $2.8 million in doing so.
Status – In June 2008, the CDC purchased two properties for affordable housing. The CDC paid $1,025,000 for the purchase of the Verizon building at 8314 Second Street and $1,225,000 for the purchase of the Avenue Theater at 11022 Downey Avenue. On June 2007, the CDC purchased four (4) units, each having two (2) bedrooms, on Elm Vista, outside the project areas. The CDC spent $1,050,000 for these four units. These units are occupied by two (2) low income and one (1) moderate income families. The forth unit was vacant at the time the CDC purchased the property.

- The CDC purchased a foreclosed three (3) bedroom vacant house outside project area in January 2008. The house was obtained for $340,000. The CDC anticipates selling the property to a low or moderate income household.
- The CDC bought a vacant surplus Caltran property for $90,000. This property will become a four (4) bedroom house and will be made available to a very low income household. This project will be built with the help of Habitat for Humanity. The project was completed in December 2009.
- No new units were built within the Downey Project area over the prior 5 years.

IV. FIVE YEAR IMPLEMENTATION PLAN GOALS, NON-HOUSING OBJECTIVES AND PROGRAMS FOR 2010 THROUGH 2014

This section identifies the Non-Housing Goals and Objectives for the 2010 through 2014 timeframe. It also puts forth projects, programs and estimated generalized expenditures for these projects and programs.

A. Blight Characteristics

The Goals and Objectives contained herein continue to address blight elimination in the Downey Redevelopment Project Area and Woodruff Industrial Project as in prior Implementation Plans. Blighting characteristics to be eliminated are generalized as taken from both project areas. The blighting characteristics to be eliminated are as follows:

- Physically obsolete buildings, and/or parking issues
- Substandard design or inadequate sized buildings
- Incompatible adjacent or nearby land uses
- Irregularly shaped or inadequately sized lots that prevent proper development
- Depreciated or stagnant property values
- Abandoned buildings
- Existence of hazardous waste
- Economically obsolete buildings/lots
- Residential overcrowding
- High crime rate
- Inadequate public improvements

The goals and objectives for the 2010 – 2014 Implementation Plan have been developed based on the CDC's priorities and limited financial resources. By implementing the Implementation Plan projects, programs and expenditures outlined herein, the CDC will help eliminate some of the above referenced blighting characteristics.

B. Non Housing Goals, Objectives and Programs/Projects

The CDC goals for both project areas will be to continue to strengthen the economic environment, and enhance the residential community with safe, decent, sanitary, and affordable housing, supported by recreational and cultural opportunities.

It should be noted that the CDC does not have condemnation powers in either of its two project areas. Condemnation powers have either expired or never existed within the projects areas or amendments.

Following are objectives, programs and projects for FY 2010 through 2014.

2010-14 Implementation Plan Objective 1: Assistance to property owners, business and tenants in the improvement of their properties to carry out the objectives of the Redevelopment Plans.

Programs/Projects:

Façade Improvement Program – Downey Project Area
This Program provides a rebate to business owners and property owners in the Downtown area interested in making exterior improvements on commercial buildings. The CDC also provides a design review process which can assist property owners in evaluating their projects.

Sign and Awning Program – Downey Project Area
This Program offers a rebate to business and property owners within the Downtown area who install new signage and awnings.

Expedite Entitlements – Downey and Woodruff Project Areas
The CDC staff has initiated a program to expedite the entitlement process. To qualify for this process a business or developer must meet the following criteria:

- Invest a large amount of funds into the project
- Create a significant number of local jobs
- Potential to produce substantial sales tax, or property tax
- Meet community objectives of bringing desirable businesses to the community

2010-14 Implementation Plan Objective 2: Encourage existing owners, businesses, and tenants within the Project Areas to participate in the redevelopment activities by providing the private sector with an incentive to invest in the downtown area by up-zoning portions of the Downey Project downtown area, thus sustaining and improving the existing economic base of the community.

Programs/Projects:
Encourage Private Sector Investment. – Downey Project Area
The CDC will continue to pursue the re-designation of certain commercial sites within the downtown area north of Firestone Blvd, west of Brookshire Blvd, and east of Paramount Blvd to more intensive uses in order to put the property back into a more productive use. The CDC can provide assistance by funding the mixed-use specific plan and environmental assessment in order to improve the potential redevelopment of the area. Recently the CDC entered into an Owner Participation Agreement (OPA) with the property owner at 8233-55 Firestone Blvd. The CDC provided $750,000 in assistance to build a 15,000 sq. ft. restaurant and bakery on the site. The project will be built in 2010.

Implement a comprehensive improvement strategy for the Downtown area
By implementing the before mentioned Specific Plan, the CDC will continue to provide financial support to implement the Downtown Improvement Strategy, a program, which until now has consisted of four major components: street reconstruction, business promotion, parking and rehabilitation assistance. During the next five year period the Downtown Improvement Strategy will include a new component. That component will be the addition of a Specific Plan to portions of the downtown area. The Downtown Improvement Strategy includes:

- Apply a Mixed Use Specific Plan designation to an area within the downtown area north of Firestone Blvd, west of Brookshire Blvd, and east of Paramount Blvd to more intensive uses in order to encourage private sector investment and put the property back into a more productive use.

- The Zoning Parking Space Credit Program will enable businesses that are expanding or intensifying their use, to utilize, for a one-time or annual fee, a public parking lots for extra needed parking spaces.

- The Commercial Rehabilitation Program would encourage property owners to seek commercial business loans to bring structures up to current building codes and correct building code violations.

2010-14 Implementation Plan Objective 3: Downey and Woodruff Project areas Augment roadway funds with redevelopment funds to help improve roadways within the project areas that are in a state of disrepair.

Programs/Projects

1. Rehabilitation of roadway pavement on Firestone Boulevard. Proposed from Old River School Road to Nash Avenue. Estimated project cost: $3 million.

2. Intersection improvements at the intersection of Firestone Blvd and Paramount Blvd. Project proposes to construct an exclusive right turn lane at the s/w corner, and at each corner reconstruction of the curb and gutter to provide a wider turn radius to accommodate truck traffic. Estimated project cost: $3 million.

2010-14 Implementation Plan Objective 4: Downey and Woodruff Project Areas Provide economic stimulus to local businesses

Program/Projects

1. For development projects within the project area, make a good faith effort to utilize at least 10% of services and materials from businesses located within the city limits of Downey.

2010-14 Implementation Plan Objective 5: Downey Project Area attraction, expansion and retention of high quality businesses to the Downtown area

Program/Projects

1. The CDC will provide funding to prepare the Downtown Specific Plan.

2. Establish strategies to activate the downtown area such as establishing a branding program, attracting catalytic businesses, providing cultural attractions, providing community activities, assist in the establishment of a business improvement district.

3. Attract high quality restaurants such as Porto's that can benefit from the before mentioned synergistic activities and businesses.

4. Assist in the creation of new full time jobs within the project area.

C. Funding Sources and Obligations

Implementation of the redevelopment plan is funded through the use of tax increment financing. When a redevelopment project area is adopted, a base value of all properties within the project area is established. When property within the project area is improved, sold or resold, property tax revenue is generated from the incremental valuation. Base year property taxes are distributed to other local taxing agencies, with property taxes resulting from increases over the base value ("tax increment") distributed to the redevelopment agency to help finance redevelopment project cost, subject to the requirement that the Agency share that tax increment with taxing agencies (e.g., the county, school districts, special districts) usually through pass-through agreements (for pre-1994 redevelopment plans) or statutorily-mandated pass through amounts (for redevelopment plans adopted after 1993 and for amendments adopted after 1993 that add territory).

During the 2010-2014 cycle of this Implementation Plan this limited revenue issue is further restricted as a result of the State of California Budget problems in which the State plans to take $2.05 billion of tax increment away from California

Redevelopment Agencies to pay for the States obligation to fund schools. In the case of the CDC, of the $4,250,547 of tax increment it will receive in FY 2009-10, the State of California plans to take $1,422,470 to pay its obligations. In FY 2010-11 the State plans to take $292,862 from the CDC. However, as stated in the introduction of this document, the CRA has filed suit against the State for this raid of tax increment. As a result, this document will include two tax increment revenue projections. One projection will be without the State raid and one with the State raid. Proposed programs will be predicated on each projection and set of payment obligations.

Table 3A shows estimated total gross tax increment revenues and available funds without the State take-away over a five year period. Table 3B estimates the total tax increment revenues and available funds with the State raid over a five year period and adds the additional payment obligations. Each table shows housing set-aside money to the Low and Moderate Income Housing Fund which is a requirement under redevelopment law. Each table also shows an “Available for Debt” column. This column include obligations which include pass through payments to affected taxing entities (Health and Safety Code 33676 obligations), debt service payments (1997 Tax Allocation Bonds), and the remaining available for City debt and other CDC discretionary obligations. City records show that as of June 30, 2009 the CDC had an unaudited cash balance of $6,845,946. However, of that amount, $2,722,954 was restricted for debt service and $2,702,953 was restricted for housing. That leaves a balance of $1,120,720 for non-housing projects.

City records dated June 30, 2009 showed the CDC owned property held for resale to developers in the amount of $6,546,627. These properties are identified as follows:

Property	Purchase Price	Funding Source
9066 Firestone Blvd.	$2,858,295	Redevelopment Funds
Downey Ave. Theater	$1,205,723	Low & Mod. Fund
Verizon property	$1,001,259	Low & Mod. Fund
9010 Buhman	$ 340,000	Low & Mod. Fund
Caltrans property	$ 90,000	Low & Mod. Fund
Elm Vista	$1,051,350	Low & Mod. Fund
Total	$6,546,627	

The property, west of Arby’s at 9066 Firestone Boulevard has been held for many years. While it is a large parcel, it has narrow frontage on Firestone Blvd. The CDC has not been able to convince adjacent property owners to assemble this property thereby gaining better frontage to Firestone Blvd. As a result, this site has never been redeveloped and put to productive use.

Recently the CDC purchased the Verizon building, the Avenue theater, the Caltrans property, and the Elm Vista property using Housing Set-Aside money.

TABLE 3A
Downey CDC
Combined Tax Increment Revenue Projections

Year	Tax Increment	Housing Set -Aside	Available for Debt
FY 2010	$ 4,250,547	$ 850,109	$ 3,400,438
FY 2011	$ 4,325,953	$ 865,191	$ 3,460,762
FY 2012	$ 4,403,510	$ 880,702	$ 3,522,808
FY 2013	$ 4,483,278	$ 896,656	$ 3,586,622
FY 2014	$ 4,565,323	$ 913,065	$ 3,652,258
Total	$22,028,611	$4,405,723	$17,622,888

Source: Downey Community Development Commission
* - Based on actual figures June 30, 2009
Total Gross Property Tax and H & S Code 33676 deductions assume a 2% inflationary factor

The CDC has a number of existing obligations, as stated below, affecting both Downey Redevelopment Project and the Woodruff Industrial Project Area.

- Agreements with the City of Downey. The City has advanced money to the CDC since its inception for administrative and project expenditures as required. The funds advanced are to be repaid with 12% per annum interest from future tax increment revenues or bond proceeds when such funds are available. Also, in 1986, the CDC entered into an agreement whereby the City loaned money from the Community Development Block Grant Program to the CDC to purchase land for redevelopment purposes in the Downey Project Area. Under the terms of the loan, repayments are to be made with the net proceeds from the sale of the land purchased with the funds. There is no set schedule for payments to the City of Downey. However, payments are based on availability of funds. As of June 30, 2009, the CDC paid $1,218,264 in interest payments to the City for existing loans, administrative and program expenditures, parking structure maintenance, and for the operation of the Project Area Committee. This trend is anticipated to continue for the five year period of this Implementation Plan. Historically, the CDC has borrowed money from the City to fund projects it wishes to undertake. Federal Community Development Block Grant (CDBG) and HOME funds help provide affordable housing within the City of Downey including housing within the project area. CDC money has been leveraged with HOME Funds as well as City of Industry funds to provide affordable housing within the project area. Based on the June 30, 2009 unaudited Financial Statement, the CDC owes the City $11,246,570.

- Tax Allocation Bonds. In 1997, the CDC issued Refunding Tax Allocation Bonds in the amount of $9,925,000. The purpose of the bonds was to defease the 1990 Bonds and to repay $4,585,000 of principal and interest on loans made by the City to the CDC for redevelopment purposes in the Downey Project Area. Based on the June 30, 2008 Audited Financial Statement, the CDC owes $8,135,000 in tax allocation bonds

- Loan from County. In 1987 the CDC and County of Los Angeles entered into a tax increment pass-through deferral agreement. The CDC will defer the payment of all current tax increment pass-through due to the County, until non-housing tax increment revenues reach $1,500,000 and $500,000 for the Downey Redevelopment Project, Amendment No. 4, and for the Woodruff Industrial Project respectively. Thereafter, repayments of the deferral will be equal to 53% of non-housing revenues for Amendment No. 4. It will be 57% of non-housing revenues for the Woodruff Industrial Project Area. As of June 30, 2009 the CDC owed the County $13,495,347.

- Administrative Expenses. The CRL provides that the CDC has general authority to hire staff, execute contracts, and/or purchase or rent space, equipment and supplies. In order to implement the Redevelopment Plans for the Downey and the Woodruff Industrial Projects Areas, and the projects and programs in this Implementation Plan, the CDC is expected to incur administrative expenses and obligations. Such expenses reflect the costs for salaries, technical assistance, operating services and supplies, and other ancillary expenses.

- Set-Aside for Low and Moderate Income Housing Purposes. The CRL requires that all agencies set aside 20 percent of their tax increment revenues to facilitate the development of housing for persons with low and moderate incomes. Particulars regarding the estimated amount and planned use of the set-aside funds are discussed in the Housing Component of this Implementation Plan.

As previously stated, according to City unaudited records at June 30, 2009, the Downey Project and Woodruff Project have outstanding loans to the City of Downey in the amount of $11,246,570. The CDC also has an outstanding County deferral payment of principal and interest in the amount of $13,495,347. Tax allocation bonds payable total $7,910,000 for a total long term liability of $32,651,917.

As a result of the CDC's limited amount of tax increment revenue for both Project Areas, the CDC's activities, projects and programs to revitalize the Project Areas will be very limited. With the state raid of $1,715,332, shown in Table 3B, during

FY years 2009-10 and 2010-11 funds will be even more limited. In addition, there is no end in sight of the state raids on redevelopment agencies. The CDC will continue to carefully review and consider opportunities for the use of its limited revenues. The CDC will give priority to those activities, projects and programs that will better meet the goals and objectives stated in this Implementation Plan. If during the next five years the state raids cease, the CDC may amend this Implementation Plan, following a public hearing, to better project future revenues.

TABLE 3B
Downey Community Development Commission
Combined Tax Increment Revenue Projections
With State Take-Away

Year	Tax Increment	Housing Set –Aside	State Take-Away	Available for Debt
FY 2010	$ 4,250,547	$ 850,109	$1,422,470	$ 1,977,968
FY 2011	$ 4,325,953	$ 865,191	$ 292,862	$ 3,167,900
FY 2012	$ 4,403,510	$ 880,702	Unknown at this time	$ 3,522,808
FY 2013	$ 4,483,278	$ 896,656	Unknown at this time	$ 3,586,622
FY 2014	$ 4,565,323	$ 913,065	Unknown at this time	$ 3,652,258
Total	$22,028,611	$4,405,723	$1,715,332	$15,907,556

Source: Downey CDC & Economic & Development Specialist
* - Based on actual figures currently subjected to June 30, 2009
Total Gross Property Tax and H & S Code 33676 deductions assume a 2% inflationary factor

D. Blight Elimination

The achievement of the Implementation Plan Goals and Objectives (through the specific projects, programs and expenditures shown on Table 4) will eliminate blight by removing, in part, blighting conditions within each Project Areas. This Implementation Plan does not attempt to outline a plan to eliminate all blight in the Project Area, but rather addresses how the CDC intends to contribute to the elimination of blight within the Project Areas during the five-year period covered by this plan.

Table 4 includes a column which identifies blighting conditions that will be reduced or eliminated through implementation of the projects and programs. These blighting conditions were those identified in the original Redevelopment Plans and can be found in Section IV.A, page 27 above.

E. Relationship Between Goals, Objectives, Programs, Expenditures and Elimination of Blighting Conditions

The CRL requires that an Implementation Plan contain the 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 next five years, and an explanation of how the goals and objectives, programs, and expenditures will eliminate blight within the project area and implement the requirements of the applicable sections of the CRL. Table 4 brings together the proposed five year projects, the associated objectives these programs will implement, the approximate cost of each of the programs or projects, and the blighting conditions that will be reduced or eliminated by that program or project.

The CDC does not currently know if the state raid for FY 2009-10 and FY 2010-11 lawsuit by CRA will be upheld by the courts. As a result, this document will take a conservative stance and use the numbers shown in Table 3B. There is no evidence that the state will be able to live within its means in the foreseeable future. However, this document will assume that the raids on redevelopment agencies will cease beyond FY 2011-12. As of June 30, 2009, the CDC had an unaudited fund balance available for non-housing of $1,120,720. Table 3B shows a potential of $15,907,558 available for debt from 2010 through 2014. This means the CDC should have approximately $17,028,278 within the next five years with which to work. Some of this money will be used to pay debt service and some can be used for non-housing projects during 2010 through 2014.

Given the future uncertainty of state raids on redevelopment agencies funds, it is recommended the CDC spend its limited resources in attempting to generate future tax increment. Therefore the primary objective for both non-housing and housing programs over the next five years should be in establishing the mixed use specific plan previously mentioned. If the specific plan results in up-zoning property the private sector should be willing to invest in downtown Downey.

Table 4

Downey Redevelopment and Woodruff Industrial Projects
2010-2014 Non-Housing Projects
Relationship Between Goals, Objectives, Programs, Cost, and Elimination of Blighting Conditions

Five Year Projects & Programs (2010 through 2014)	Associated Objective *	Cost (Approx)	Blighting Conditions that will Be Reduced or Eliminated
Encourage Private Sector Investment – Downey Project Area: The CDC will pursue the re-designation of certain commercial sites within the downtown area north of Firestone Blvd, west of Brookshire Blvd, and east of Paramount Blvd to more intensive uses in order to put the property back into a more productive use.	1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18	$400,000	Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area. Economically obsolete buildings/lots
Façade Improvement Program – Downey Project Area: This Program provides a 50 percent rebate to business owners and property owners in the Downtown area interested in making exterior improvement on commercial buildings.	1, 2, 8, 13, 14, 15, 18	$250,000	Economically obsolete buildings/lots
Sign and Awning Program – Downey Project Area: This Program offers a 50 percent rebate to business and property owners within the Downtown area who install new signage and awnings.	1, 2, 8, 13, 14,16,	$15,000	Depreciated or stagnant property values
Commercial/Residential Acquisition – Downey Project Area: This Program provides the commission with resources to acquire strategic available properties within the downtown area which could lead to revitalization opportunities.	1, 2, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17	$735,000	Economically obsolete buildings/lots. Depreciated or stagnant property values
Commercial Rehabilitation Program - Downey and Woodruff Project Areas. This program encourages property owners to seek commercial business loans to bring structures up to current building codes and correct building code violations.	1, 2, 4, 6, 10, 12, 13, 14, 15, 16, 18 / 1, 5, 7, 8, 17, 18	$500,000	Substandard design or inadequately sized buildings

* Associated objectives can be found in section II, B (pages 18- 19). There is a current unaudited fund balance of $1,120,720 as of June 30,2009available for non-housing projects. Adding this amount to the accumulated tax increment anticipated from 2010 through 2014 of $15,907,558 creates a total of $17,028,278. Please note some of these funds will be used to pay debt service during the five year period. Additional funds for the above projects could be provided through loans from the City on an as needed basis.

V. Five YEAR AFFORDABLE HOUSING COMPLIANCE PLAN FY 2010 through 2014

C. Introduction

The CRL requires that a portion of the implementation plan shall address the Redevelopment Agency housing responsibilities and shall contain a section addressing Section 33333.10 (time limit and indebtedness extensions), if applicable, and Sections 33334.2 (20% set aside requirement), 33334.4 (providing Low and Moderate Income housing), and 33334.6 (the Low and Moderate Income Housing Fund), and, if subdivision (b) of Section 33413 (Low and Moderate Income housing production within Project Area and replacement) applies, a section addressing agency-developed and project area housing.

The section addressing the Low and Moderate Income Housing Fund shall contain:

1. The amount available in the Low and Moderate Income Housing Fund and the estimated amounts which will be deposited in the Low and Moderate Income Housing Fund during each of the next five years.
2. A housing program with estimates of the number of new, rehabilitated, or price-restricted units to be assisted during each of the five years and estimates the expenditures of monies from the Low and Moderate Income Housing Fund during each of the five years.
3. A description of how the housing program will implement the requirement for expenditures of moneys in the Low and Moderate Income Housing Fund over a 10-year period for various groups as required by Section 33334.4.
4. The section addressing Section 33333.10 (extension of time limits and indebtedness), if applicable, and Section 33334.4 (providing Low and Moderate Income housing) shall contain all of the following:
   - (i) The number of housing units needed for very low income persons, low-income persons, and moderate-income persons as each of those needs have been identified in the most recent determination pursuant to Section 65584 of the Government Code (Regional Housing Needs Analysis), and the proposed amount of expenditures from the Low and Moderate Income Housing Fund for each income group during each year of the implementation plan period.
   - (ii) The total population of the community and the population under 65 years of age as reported in the most recent census of the United States Census Bureau.
   - (iii) A housing program that provides a detailed schedule of actions the agency is undertaking or intends to undertake to ensure expenditure of the Low and Moderate Income Housing Fund in the proportions required by Section 33333.10, if applicable, and Section 33334.4.
   - (iv) For the previous implementation plan period, the amounts of Low and Moderate Income Housing Fund moneys utilized to assist units affordable to, and occupied by, extremely low income households, very low income households, and low-income households; the number, the

location, and level of affordability of units newly constructed with other locally controlled government assistance and without agency assistance and that are required to be affordable to, and occupied by, persons of low, very low, or extremely low income for at least 55 years for rental housing or 45 years for homeownership housing, and the amount of Low and Moderate Income Housing Fund moneys utilized to assist housing units available to families with children, and the number, location, and level of affordability of those units.

5. If the implementation plan contains a project that will result in the destruction or removal of dwelling units that will have to be replaced pursuant to subdivision (a) of Section 33413, the implementation plan shall identify proposed locations suitable for those replacement dwelling units.

The following sections summarize housing production to date; replacement needs requirements; inclusionary housing needs; other projected housing needs; housing program resources; ten year implementation, expenditures and timeline; potential housing sites; and consistency with City Housing Element and Regional Housing Needs.

D. Housing Production and Replacement Requirements

Section 33334.2 and 33334.6 of the Health and Safety Code require that not less than twenty percent (20%) of all tax increment which are allocated to the Redevelopment Agency shall be used to increase, improve, and preserve the community's supply of housing available, at affordable housing cost, to persons and families of very low, low, and moderate incomes, unless the Agency adopts a resolution annually that no need exists in the community to improve, increase, or preserve the supply of low-and moderate-income housing, including housing for very low income households in a manner that would benefit the project area and that this finding is consistent with the housing element of the community's General Plan.

Section 33413 (a) of the Government Code requires that whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low and moderate-income housing market as part of a redevelopment project that is subject to a written agreement with the agency or where financial assistance has been provided by the agency, the agency shall, within four years of the destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, for rental or sale to persons and families of low or moderate income, an equal number of replacement dwelling units that have an equal or greater number of bedrooms as those destroyed or removed units at affordable housing costs within the territorial jurisdiction of the agency. When dwelling units are destroyed or removed after September 1, 1989, 75 percent of the replacement dwelling units shall replace dwelling units available at affordable housing cost in the or a lower income level of very low income households, lower income households, and persons and families of low and moderate income, as the persons displaced from those destroyed or removed units. When dwelling units are destroyed or removed on or after January 1, 2002, 100 percent of the replacement dwelling units shall be available at affordable housing cost to persons in the same or a lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units.

Section 33413 (b) (1) requires that at least 30 percent of all new and substantially rehabilitated dwelling units developed by an agency shall be available at affordable housing cost to, and occupied by, persons and families of low or moderate income. Not less than 50 percent of the dwelling units required to be available at affordable housing cost to, and occupied by, persons and families of low or moderate income shall be available at affordable housing cost to, and occupied by, very low income households. (This section is referenced only because it is a requirement in the case an agency produces housing or substantially rehabilitates units. The CDC has no intention of producing or substantially rehabilitating housing itself.)

Section 33413 (b) (2) (A) (i) goes on to say that at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area under the jurisdiction of an agency by public or private entities or persons other than the agency shall be available at affordable housing cost to, and occupied by, persons and families of low or moderate income. Not less than 40 percent of the dwelling units required to be available at affordable housing cost to, and occupied by, persons and families of low or moderate income shall be available at affordable housing cost to, and occupied by, very low income households.

B.1 Affordable Housing Produced to Date

Because the Woodruff Industrial Project consists entirely of industrial uses and no residential development is expected to occur within that project area for the duration of the plan, neither Section 33413 (b) (1) nor Section 33413 (b) (2) (A) (i) apply. Also, because there have not been any low or moderate income units destroyed or removed from the low and moderate-income housing market within that project area as part of a redevelopment project that is subject to a written agreement with the agency or where financial assistance has been provided by the agency, Section 33413 (a) also will not apply. For that reason only the Downey Redevelopment Project has a housing production requirement.

This section identifies the number of affordable housing units constructed or substantially rehabilitated within and outside the Downey Redevelopment Project Area to date. Table 5 identifies affordable housing units completed to date

Table 5 shows the CDC assisted with the creation of low and moderate income units when it participated in the development of the 220 unit Meadow Park Condominiums. Of the 220 units a total of seventy-four (74) moderate-income units were reserved with affordability covenants for five (5) years. The Heritage Count Senior Apartments, also shown in table 5, resulted in the construction of

31 affordable units. Eight of these units were two bedroom units and the remaining 23 were one bedroom units. Of the $4.7 million total cost, the CDC provided $1,325,412 in loans which included 55 year affordability covenants. The CDC's subsidy was leveraged with funding from the City of Industry Fund and 4% California Tax Credit Allocation Program. Downey Saving also provided a grant. The project was built by a non-profit affordable housing developer.

TABLE 5
AFFORDABLE HOUSING UNITS COMPLETED
DOWNEY REDEVELOPMENT PROJECT

Project Location	Type	Covenants	Affordability Duration	Very Low	Low & Mod.	Total
Meadow Park Condos** 220 units	New	RDA	5 years		74	74
Heritage Ct. Senior Apt.	New	RDA	55 years	31	0	31
First Time Homebuyers**	40 loans*	RDA	20 years	1	19	20
Le Floss Avenue**	Rehab	City	20 years	.5		.5
Elm Vista Dr.** 4 units	New	RDA	45-55 yrs		2	2
Foreclosed Buhman property **	Rehab	RDA	45-55 yrs		.5	.5
Blodgett property**	New	RDA	45 yrs	.5		.5
Total Completed				**32.5**	**93**	**125.5**

* These loans were on existing houses outside the project area
** These units were outside the Project Area and therefore the Community Development Commission could only receive ½ credit.
Because these units are outside the Project Area these units do not contribute to the inclusionary housing requirements.

The CDC spent $4,640,496 from 2005 to date of Low and Moderate Income Housing Funds to acquire property for affordable housing. No new units were built within the Downey Project area over the prior 5 years.

B.2 Replacement Housing Need

Historical data, shown in table 6, show that, as of 1994, 68 low and moderate income units were removed as a result of CDC action. As of this report, the CDC has produced 88 new units towards its replacement obligation.

In developing the 31 unit in Heritage Court Senior Apartments project, the CDC removed five very low income housing units. Because the 31 units are for very low income households, the CDC's housing replacement obligation has been met. The CDC has removed a total of 68 low and moderate income units but replaced 88 low and moderate income units which provides a surplus of 20 low and moderate income units. The CDC did not track the bedroom count for removed units until the Heritage Court project. The five units removed for that project were all one bedroom units.

There were no projects within the project area that removed housing units since the 2005-2009 implementation plan.

TABLE 6
REPLACEMENT OBLIGATION
REPLACEMENT HOUSING ANALYSIS

Units Removed By Project			Units Removed By Income Category **			Status of Units	
Project Area	**Date**	**Total DUs Removed**	**Very Low**	**Low Income**	**Moderate Income**	**Replaced**	**Needing Replacement**
Downey Project							
Murdock	1984	8	N/A	N/A	N/A	8	0
Shepard	1984	17	N/A	N/A	N/A	17	0
Car Wash	1988	23	N/A	N/A	N/A	23	0
DCH *	1990	15	2	4	9	9	0
Heritage Ct.	2001	5	5	0	0	31	0
Woodruff Project		0	0	0	0		
Total		**68**	**7**	**4**	**9**	**88**	**0**

* The allocation of the 15 units destroyed in 1990 by the developer of DCH between very low, low and moderate income households is an estimate provided by City Staff
** Prior to September 1989, replacement units were not required to be made available to the same income group which had occupied the units at the time of removal.
Source: Downey Community Development Commission

B.3 Inclusionary Housing Needs

There have been a total of 86 units constructed by private or other public entities within the Downey Redevelopment Project Area. No units were constructed within the Woodruff Project Area. As previously stated, the CRL requires that at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area under the jurisdiction of an agency by public or private entities or persons other than the agency shall be available at affordable housing cost to, and occupied by, persons and families of low or moderate income. Not less than 40 percent of the dwelling units required to be available at affordable housing cost to, and occupied by, persons and families of low or moderate income shall be available at affordable housing cost to, and occupied by, very low income households.

Table 7 identifies housing production within the Downey Redevelopment Project Area from August 1978 to present. The table also projects inclusionary housing needs five years into the future. This table shows there is no current requirement to provide low and moderate income units. It should be noted that, at this time, within the Downey Redevelopment Project Area, the only zoning which allows residential development is the H-M (Hospital Medical) zone. However, the proposed downtown specific plan will provide for a mix of uses including commercial, office and residential. For purposes of this report it is projected that there will be a potential of 850 new housing units which could accommodate within the downtown specific plan area. Given that the economy is projected to stay depressed for a few more years it is anticipated that only ¼ (about 215 new dwelling units) may be built within the downtown specific plan area by 2014. This means 32 inclusionary units would be required. This table estimates that 215 units of the total non-CDC production within the Downey Redevelopment Project Area are or will be subject to the inclusionary housing requirements by December 2014.

TABLE 7
INCLUSIONARY HOUSING NEEDS ESTIMATES

New construction* or Major Rehab		Low & moderate Units (15% of Total Units)			Very Low Income Units (40% of Low % Moderate Units)		
	Total DU's	Actual Provided	Required	Surplus (Deficit)	Actual Provided	Required	Surplus (Deficit)
1978-2004	86	18.5	13	5.5	22	6	16
2004-2009	0	0	0	0	0	0	0
2010-2014	215	*	32	*	*	13	*
Total	**301**	**18.5**	**45**	*****	**22**	**19**	*****

Source: Downey Community Development Commission
*These numbers will not be know until 2015

B.4 Other Projected Housing Needs

The Southern California Association of Governments (SCAG), is required by State law (Section 65584 of the Health and Safety Code) to allocate the existing and projected housing needs for each city and county in its region. SCAG prepared the "Regional Housing Needs" in a process called the "Regional Housing Needs Assessment" (RHNA). Based on that forecast, SCAG has determined that the construction need for Downey is 1,108 units over the 2006 to 2014 period. It should be noted that these 1,108 units are citywide and not only within the Downey Redevelopment Project area. The breakdown of construction need among the different income groups is as follows:

- 138 extremely low income 12%
- 139 very low income 13%
- 174 low income 16%
- 187 moderate income 17%
- 470 above moderate income 42%
- 1,108 units total 100%

The Five Year Housing Plan, as illustrated in Table 8 (Five Year Implementation, Expenditures and Timeline) helps provide for some of these very-low, low and moderate income groups as outlined in the RHNA. Of the 107,323 population reported in the 2000 census, 89% were under age 65. The City and CDC also adopted special needs programs to accommodate these groups by providing low and moderate income housing.

B.5 Housing Program Resources

One of the CDC's primary resources, for affordable housing programs, is this 20% annual set-aside deposits. Anticipated revenues total $7,911,582 of 20% set-aside funds and unrestricted funds designated for affordable housing for the five year period. This includes a fund balance of $2,702,953 as of June 30, 2009 and a projected total of $5,208,629 from 2010 to 2014. In addition to housing set-aside funds, the City has been able to procure additional funds which have historically augmented low and moderate housing programs. In the past the City has used Federal Funds and City of Industry Funds for low and moderate income housing. These funding resources will continue to be used to assist in producing low and moderate income housing units when available.

Table 8 (Five Year Housing Implementation, Expenditures and Timeline) shows a five year affordable housing plan projection beginning with 2009. This table includes existing housing fund balances, revenues, expenditures, and net housing fund revenues for the five-year planning period. Expenditures include housing project cost over the five year period. In total, housing fund expenditures are projected to be approximately $7,010,000 over the five year period.

C. Housing Goals, Objectives and Programs/Projects

The CDC's housing goals for the next five years will be to assist in the production of affordable and market rate housing, continue to provide funds for residential rehabilitation and continue with the first time home buyers program and the home improvement loan program. As previously stated the CDC will fund the downtown specific plan. That specific plan anticipates a potential of up to 850 new residential units. For purposes of this Implementation Plan it is anticipate 215 of those units will be built by 2014. Following are housing objectives, programs and projects for FY 2010 through 2014.

2010-14 Implementation Plan Housing Objective 1: Facilitate the development of new housing units within the downtown area

Program/Projects

1. The proposed downtown specific plan may provide for up-zoning and mixed use which will provide incentives for new housing units.

2. The recently acquired Verizon property and Avenue theater property will provide approximately 75 new housing units

2010-14 Implementation Plan Housing Objective 2: Continue to fund affordable housing programs

Program/Projects

1. The CDC will continue to fund the Home Improvement Loan Program

2. The CDC will continue to fund the First Time Homebuyers program

3. The CDC will continue to fund the residential rehabilitation program

4. The CDC will purchase affordable covenants to make housing affordable to low and moderate income persons

5. The CDC will make these programs a priority to encourage workforce housing within the downtown area

D. Housing Implementation and Expenditures

Table 6 (Replacement Housing Analysis) identifies a surplus of 20 low and moderate income units. Table 7 (Inclusionary Housing Needs Estimates) anticipates that 215 additional units will be built within the Downey Redevelopment Project area from 2010 through 2014 (no units are anticipated within the Woodruff Industrial Project area). Existing zoning would not provide for additional units to be built within either of the Project Areas. As a result, Table 7 shows that if 215 units are built within the downtown specific plan area, the CDC will have a requirement to provide 45 low and moderate units, 13 of which must be very low income units. Housing needs taken from Tables 6 and 7 are incorporated in Table 8 (Five Year Implementation, Expenditures and Timeline).

In June 2008, the CDC purchased two properties for affordable housing. The CDC paid $1,025,000 for the purchase of the Verizon building at 8314 Second Street and $1,225,000 for the purchase of the Avenue Theater at 11022 Downey Avenue. The CDC will spend approximately $3 million to $8 million to build up to 75 units of affordable housing on these properties. This range will depend on securing funding from additional sources such as Affordable Housing Tax Credits, City of Industry Housing Funds, or funds through state and federal housing programs.

Table 8
Five Year Housing Implementation and Expenditures

Income Level	**Estimated Housing Unit Production**
Very Low Income	13
Low & Moderate Income	32
Total	45
Expenditures from Low and Moderate Income Fund	
Very Low Income	$2,210,000
Low & Moderate Income	$4,800,000
Total	$7,010,000

Table 8 shows a projected 20% set-aside of $5,208,629 from 2009 through 2014. As of June 30, 2009 there was a fund balance of $2,702,953. This provides a total of $7,911,582 for use in providing low and moderate income housing during this planning period. Public subsidy assumes a range from $150,000 to $300,000 total per unit for new construction and $90,000 to $200,000 total per unit for substantial rehab not including property acquisition. This also assumes prevailing wage and inflated by 2% per annum.
Source: City of Downey and Economic & Development Specialist

E. Consistency with City Housing Element and Regional Housing Needs

The Downey 2006-2014 Housing Element is currently being reviewed by the California Department of Housing and Community Development (HCD). HCD requires that Housing Elements accommodate providing housing for all economic groups within or expected to be in the community. Housing law, as it relates to Housing Elements, requires that special needs groups, including low and moderate income households, be specifically addressed. A primary objective of the Five-Year Affordable Housing Compliance Plan, in this Implementation Plan is also to provide housing for low and moderate income persons. As a result this Implementation Plan is in compliance with the Downey Housing Element.

As stated earlier in this section, the Downey Housing Element is also required to address regional housing needs. Development and preservation of affordable housing in the Downey Redevelopment Project Area helps the City provide its fair share of low and moderate income housing. The housing production programs included within the Project Area will result in the addition of low and moderate housing units to the Southern California Association of Governments region housing stock in the rough proportion to the distribution of very-low, low, and moderate-income households in Downey.