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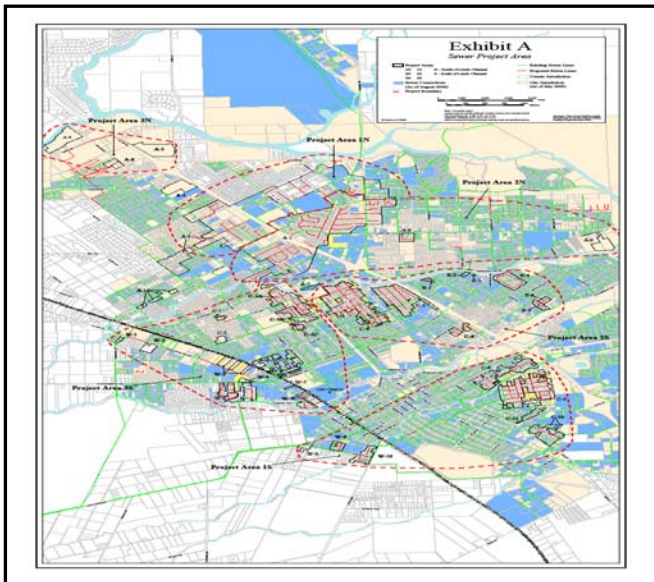
# 2009-10 ANNUAL REPORT

Chico Redevelopment Agency

Creating Jobs . . .



While Addressing Local Needs



Submitted December 30, 2010

2009-10 Annual Report  
Chico Redevelopment Agency

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# Introduction

Redevelopment in California is implemented pursuant to the Community Redevelopment Law (Section 33000 et. seq. of the Health and Safety Code of the State of California).

Redevelopment is a process created to assist city and county governments in eliminating blight from a designated area to revitalize the community and stimulate the economy through achieving desired development, reconstruction and rehabilitation, including but not limited to, residential, commercial, industrial, and office.

Pursuant to California Health and Safety Code Section 33080.1, the Chico Redevelopment Agency is required to prepare and file an annual report on the Agency's redevelopment activities with its legislative body within six months of the end of the Agency's fiscal year. This report covers the period from July 1, 2009 through June 30, 2010, and provides the following required elements:

- A general description of the Agency's progress, including projects and expenditures, in alleviating blight (physical and economic) in the previous fiscal year as well as for the current budget year;
- A general description of properties the agency owns and if applicable, has acquired in the previous fiscal year;
- A general description of the Agency's housing activities and the status of revenue and expenditures of the Low and Moderate Income Housing Funds;
- Financial documents and information including the Agency's Annual Audit, Statement of Indebtedness, Annual Report to the State Controller's Office, Annual Report to the State Department of Housing and Community Development, a report of the tax increment revenues generated and amounts paid to taxing agencies, and if applicable, loans greater than \$50,000 that are in default.

# Background

## Redevelopment at a Glance

### What is redevelopment?

Redevelopment is a tool created by state law to assist local governments to revitalize deteriorated and blighted areas in their jurisdictions. Redevelopment agencies develop a plan and provide initial funding to launch revitalization of those areas. In doing so, redevelopment encourages and attracts private sector investment that *otherwise would not occur*.



### Why is redevelopment important?

Redevelopment is one of the most effective ways for the public and private sectors to work together to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions that act as a barrier to new investment by private enterprise. The goal of redevelopment is to rebuild and improve commercial and industrial areas as well as neighborhoods that already exist through focusing attention and financial investment to reverse deteriorating trends. As a result, redevelopment enables communities to grow inward, not just outward.

Redevelopment investments create jobs and expand business opportunities; provide housing for families most in need; stimulate private investment and development in blighted areas; help reduce crime; build infrastructure and public facilities to support the community; lead the cleanup of hazardous waste sites; and transform rundown areas into productive uses *that would otherwise not occur*.

### **What is blight?**

Redevelopment can only be used in areas that suffer from adverse physical and economic conditions, referred to as “blight.” Blight hinders private investment in a community and causes a reduced or lack of full utilization of an area.

Examples of adverse physical conditions resulting in blight include but are not limited to:

- Unsafe building conditions; abandoned properties; aging, deteriorating, and poorly maintained buildings interspersed with well maintained buildings;
- Incompatible adjacent or nearby uses of land parcels that hinder economic activity;
- Small and irregularly shaped lots under multiple ownership that are vacant or underutilized;
- Inadequate and obsolete infrastructure, etc.



Examples of adverse economic conditions resulting in blight include but are not limited to:

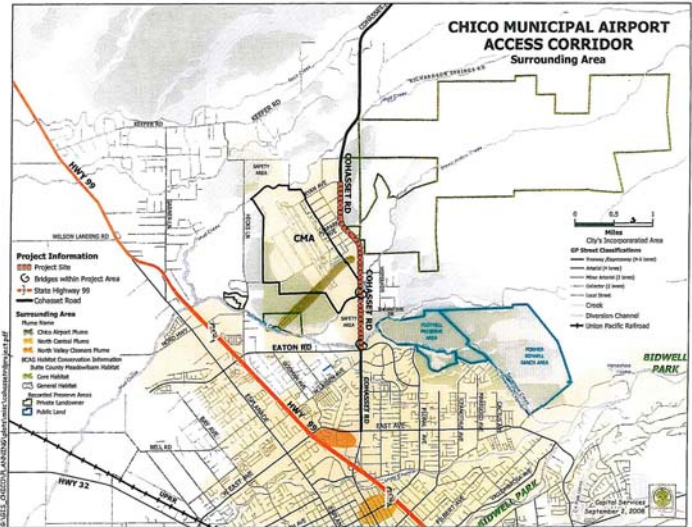
- High business vacancies, lower commercial leases and high turnover rates;
- Vacant and underutilized land or buildings;
- Depreciated or stagnant property values and evidence of disinvestment;
- High incidences of criminal activity;
- Lack of neighborhood businesses to serve residents, etc.



**What tools are available to alleviate blight and encourage private investment in a community?**

Redevelopment agencies possess certain tools to restore and rebuild blighted areas so that private investment occurs. Some of these tools include:

- Assembling and acquiring project sites and making those sites ready for private development;
- Selling or leasing property that leads to additional private investment;
- Assisting in private development through public private partnerships;
- Improving public infrastructure and public facilities;
- Preparing sites for improvement including clearing environmental hazards;
- Issuing low-cost loans or grants to businesses for physical improvements;
- Building affordable housing, helping low- and moderate-income individuals become new homeowners or funding rehabilitation of existing housing for working families;



- Improving public safety and reducing crime by building police and fire stations; and
- Making quality of life improvements through parks, open space, public art, community centers, etc.

## **History of Chico's Redevelopment Project Areas**

The Chico Redevelopment Agency was formed on August 7, 1980, by an action of the City Council pursuant to provisions of the Community Redevelopment Law. The City Council at the same time declared itself to be the governing board of the Agency. The City Manager serves as Executive Director of the Agency, the City Finance Director as Treasurer, the City Clerk as Secretary, and the City Attorney as Agency Counsel. Other members of the City staff provide assistance to the Agency as needed.

All powers of the Agency are vested in its seven member governing board. The Agency exercises governmental functions in carrying out projects and has the authority to acquire, develop, administer and sell or lease property and the right to incur indebtedness and expend the proceeds in compliance with Community Redevelopment Law.

To provide additional financial capacity and flexibility for the Chico Redevelopment Agency, the Chico Public Financing Authority was established on July 17, 1990, pursuant to a Joint Exercise of Powers Agreement by and between the City of Chico and the Chico Redevelopment Agency. The seven City Council members additionally serve as the Board of Directors of the Chico Public Financing Authority. The primary purpose of the Authority is to facilitate the financing of public facilities and improvements.

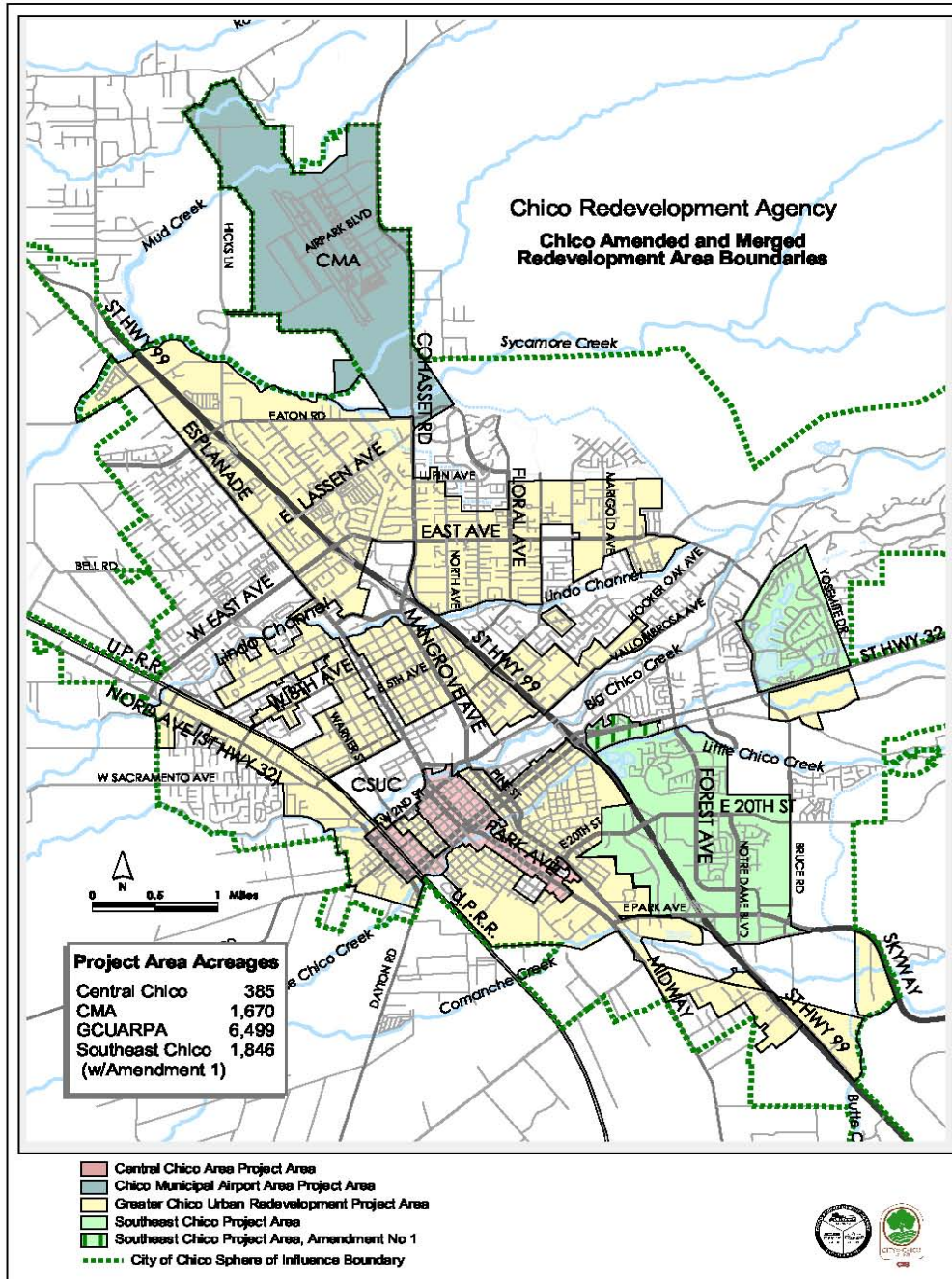
On May 5, 1992, the existing project areas, Southeast Chico, Amended Southeast Chico, Central Chico, and Chico Municipal Airport Redevelopment Project Areas were fiscally merged to form the Chico Merged Redevelopment Project Area (CMRPA).

Realizing the need to extend redevelopment into other areas of the City and adjacent unincorporated areas exhibiting blighted conditions, on October 25, 1993, the Chico City Council adopted the Greater Chico Urban Area Redevelopment Project Area (GCUARPA). GCUARPA was formed in part to finance the construction of public improvements to eliminate blighted conditions throughout the Project Area. This included the financing of sewer improvements required to implement programs addressing the 1990 Regional Water Quality Control Board's order prohibiting individual septic systems within the Chico Urban Area from discharging waste into the groundwater. GCUARPA is a joint redevelopment project area with Butte County and includes both City and unincorporated territory and covers a major portion of the Chico Urban Area. The Butte County Board of Supervisors approved the plan on October 26, 1993.

On June 14, 2004, the City Council adopted the fiscal merger of the Chico Merged and Greater Chico Urban Area Redevelopment Projects. The newly formed project is referred to as the Chico Amended and Merged Redevelopment Project Area (CAMRPA). The fiscal merger enables the Agency to pool the tax increment revenue from all project areas to fund redevelopment activities within any of the project areas.

Today the Chico Redevelopment Agency is responsible for implementation of the Redevelopment Plans covering approximately 10,400 acres of incorporated and unincorporated areas within the City of Chico's sphere of influence.

# Map of Chico Redevelopment Project Areas



## Expiration of Redevelopment Project Areas and Funding Limitations

The timeframes and limitations of the various Project Areas are listed in the table below:

<b>Project Area</b>	<b>Original Adoption Date</b>	<b>Expiration Date for Incurring Debt</b>	<b>Expiration Date for RDA Activities</b>	<b>Expiration Date for Receipt of Tax Increment and Repayment of Debt (1)</b>	<b>Tax Increment Collection Limit (2)</b>	<b>Bonded Indebtedness Limit (3)</b>
Southeast Chico	10/14/80	DNA	10/14/23 (5)	10/14/33 (5)	Combined	Combined
Amended Southeast Chico	11/15/83	DNA	11/15/26 (5)	11/15/36 (5)	Combined	Combined
Chico Municipal Airport	04/19/83	DNA	04/19/26 (6)	04/19/36 (6)	Combined	Combined
Central Chico	07/16/85	DNA	07/16/26	07/16/36	Combined	Combined
Greater Chico Urban Area	10/25/93 (4)	10/25/13	10/25/34	10/25/44	Combined	Combined

Except as noted below, the limits set forth above reflect the plan amendments adopted pursuant to Ordinance Nos. 2291, 2292, 2293, and 2294 on 06/14/04.

DNA-Does Not Apply

- (1) These dates also reflect the expiration of the Agency's obligation for pass-through of increment to other agencies.
- (2) The combined limit for cumulative tax increment collection is \$2.064 billion.
- (3) The combined limit for outstanding bonded indebtedness is \$490 million.
- (4) Amended 07/21/96.
- (5) Amended pursuant to Ordinance No. 2318 on 05/17/05 and Ordinance No. 2334 on 2/7/06.
- (6) Amended pursuant to Ordinance No. 2319 on 05/17/05 and Ordinance No. 2333 on 2/7/06.

# Non-Housing Program

## Goals and Objectives of the Project Areas

During the fiscal merger in 2004 that established the Chico Amended and Merged Redevelopment Project Area (CAMRPA), a unified set of goals and objectives was formed from and consistent with the existing Redevelopment Plans of all the Project Areas. These goals and objectives were approved as a part of the merger and the accompanying Five Year Implementation Plan. The non-housing goals and objectives of CAMRPA are to:

1. Eliminate blighting influences and correct environmental deficiencies;
2. Provide a more diversified and stable economic base and revenue stream;
3. Improve employment opportunities for the CAMRPA;
4. Promote economically viable use of parcels;
5. Provide a safer, more efficient and economical movement of persons and goods, and provide adequate parking facilities within the CAMRPA;
6. Assemble land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Areas;
7. Eliminate economic deterioration and underutilization of property;
8. Conserve and improve existing public facilities, and provide such new facilities as needed for the full and complete development of the CAMRPA and community as a whole;
9. Provide public improvements needed to support other redevelopment objectives;
10. Facilitate the development of projects that include scenic and visual amenities such as public art;
11. Establish and implement performance criteria to assure high site design standards and environmental quality, and to encourage other design elements which provide unity and integrity to the entire Project Area.

(Note: Housing goals and objectives are listed in the Housing Program section.)

## Specific Programs by Category

The Chico Redevelopment Agency has administered the Merged Redevelopment Program under the following six major program categories (not listed in priority order):

- Public Infrastructure
- Parks, Landscaping and Open Space
- Economic Development
- Public Facilities
- Property Acquisition, Site Preparation and Clean Up
- Public Art

## **Strategic Criteria for Evaluating Redevelopment Project Support**

Developed as a tool to assist in evaluating potential redevelopment projects for funding, the following criteria were approved by the Agency with the 2009-10 through 2013-14 Five Year Implementation Plan in June 2009. These criteria are to be used by staff and management to analyze and prioritize recommendations for future projects.

Redevelopment has multiple objectives – first and foremost to alleviate blight, but also to accomplish certain program and financial objectives in order to succeed as a strong public investment. These criteria are designed to assess a project’s ability to achieve multiple objectives.

In the approval of the current Five Year Implementation Plan, program objectives for the Agency include achieving the goals and objectives of the merged redevelopment project areas, as well as furthering the objectives of the City’s General Plan and Economic Strategy where appropriate.

In addition to program objectives, financial objectives for the Agency were included, such as to generate tax increment revenue to ensure that the Agency is not only fiscally viable over time, but also has the capacity to issue debt in the future so that it will have the funding available to build projects and achieve program objectives. Another major financial objective addressed leveraging local public funding to bring more state, federal and private funding into the community.

The following criteria are to be used to evaluate and prioritize new projects that could be funded by additional tax increment and/or future bonds. The criteria will also be applied to prioritize projects within existing allocations, such as the neighborhood plans to which the Agency has allocated significant resources that are scheduled to be expended over the next five year planning period.

### ***Strategic Criteria for Evaluating Redevelopment Project Support***

#### **1. Alleviate Blight**

Alleviating adverse or “blighting” conditions is the fundamental aim of the redevelopment program. Projects resulting in significant physical and/or economic blight alleviation warrant greater consideration and support than those that do not address these conditions as effectively.

#### **2. Achieve Implementation Plan Goals and Objectives**

Chico has established a unified set of goals and objectives for the Chico Amended and Merged Redevelopment Project Area (CAMRPA) and the five year implementation plan period. Projects that meet these goals and objectives should be given priority over those that do not correspond with the Agency’s priorities for the implementation plan period.

### **3. Generate Tax Increment**

A primary objective of redevelopment is to stimulate additional private investment which alleviates blighting conditions and also generates tax increment, which can then fund additional redevelopment. Property tax increment is the main source of funding for redevelopment in California. It is calculated based on the growth in property values between the year when a project area is established and the current year.

As a result, projects that add value to the property tax rolls will result in greater tax increment—“priming the pump” for future redevelopment activities. For example, a single project that increases the value of a property by \$10 million in FY 2009/10 will result in \$100,000 in annual tax increment revenues. This project would generate more than \$2.4 million in tax increment over the remaining life of Chico’s redevelopment project areas. In the Southeast Chico Project Area, such projects have not only generated tax increment to support projects within the project area, but have also supported projects within the greater Chico Amended and Merged Project Area

Tax increment generating projects help to ensure that the Agency can continue to assist with other projects that build community wealth, whether it is a program that supports downtown merchants, enhances neighborhood safety or quality projects that create a sense of place and pride in the community.

Projects undertaken by public or non-profit entities do not typically generate tax increment. When these entities purchase property, the value of the property and any improvements are generally removed from the property tax rolls. Therefore, significant tax increment generating projects, based on strong public-private partnerships with significant private investment, are needed to ensure the financial health of the Agency. The objective is to have enough strong tax increment generating projects to be able to fund non-tax increment generating projects such as critical public facilities.

### **4. Encourage Compact Development on Catalyst Infill Areas**

The goal of redevelopment is to rebuild and improve commercial and industrial areas and neighborhoods that already exist through focusing attention and financial investment to reverse deteriorating trends. Some infill development sites in the project areas have the potential to spur further private development due to their location on highly visible intersections or along main corridors and thoroughfares. Development in these catalyst areas is instrumental to the revitalization of the City’s main commercial corridors, will facilitate tax increment generation, and support the General Plan’s vision of compact urban form. The City is in the process of identifying catalyst areas that may be served by needed infrastructure and are appropriately zoned, but in need of redevelopment. These catalyst infill areas should be given consideration when determining the location of potential redevelopment projects.

### **5. Invest Strategically in Public Infrastructure**

Public infrastructure improvements are key to revitalizing an area as they benefit the private developments around them. For example, road improvements allow trucks in industrial areas to move goods with greater ease, and increased sewer capacity enables the intensification of land use. However, since public infrastructure projects do not directly generate tax increment themselves and are often costly to undertake, the Agency should strategically prioritize those projects that will directly support catalyst areas that do lead to greater private investment and ultimately tax increment.

## **6. Support Chico's Economic Vision/Strategy**

In 2007, the Chico City Council unanimously adopted a resolution outlining the City's role in strengthening the economic base of Chico and providing leadership and assistance to the business community. The strategy specifically outlines the role of redevelopment investment to spur investment that would otherwise not occur, and recognizes that redevelopment is one of the major tools a municipality has to participate in development that revitalizes the community and stimulates the economy. To leverage redevelopment resources effectively, the Redevelopment Agency will partner with business, education and community organizations to strengthen Chico's economic base through greater investment and help to create a sustainable economy.

## **7. Leverage Resources**

Public/private partnerships are key to developing sites that may not be feasible for the private or public sector to undertake on their own. A project that requires relatively little Agency involvement to succeed and/or takes advantage of major contributions from other sources will effectively leverage limited Agency and City resources. Projects that require significant redevelopment resources, do not involve strong partners, or are otherwise "risky" undertakings (projects for which success is not guaranteed, no matter how much public assistance is provided) do not successfully leverage resources. This criterion is important in assessing the opportunity costs of a project. If limited resources are dedicated to a time and money-intensive project, the Agency may have to forgo multiple other projects that could have, as a whole, provided a "bigger bang for the buck." The objective will be to strategically leverage the Agency's limited resources to receive additional resources and investment in Chico. For example, projects that can compete effectively for grant funding will be given priority.

## **8. Accomplish Multiple Objectives**

As mentioned previously, redevelopment is a major tool for a municipality to revitalize the community and stimulate the economy. In addition to redevelopment the City has major initiatives, i.e. capital infrastructure program, General Plan and Economic Strategy. Given that the Agency and the City have limited resources, projects that can further the goals and objectives of multiple City initiatives will be given priority.

## **Five Year Program Priorities**

The following section represents the program priorities anticipated to be administered over the approved Five Year Implementation Plan from 2009-10 through 2013-14.

The Five Year Implementation Plan is intended to be a guiding document and not to be a complete listing of all projects that will be budgeted on a year by year basis. To facilitate the planning process over the five year period, the Agency considers these proposed activities and the Strategic Criteria as guidelines for prioritizing and proposing projects for funding on an annual basis. Within the limits of available funds, the Agency endeavors to accomplish as many projects as possible.

All current and proposed projects outlined below fall into the six major program categories and were adopted within the Redevelopment Plans that guide the Agency's redevelopment efforts.

(Note: For many projects the Agency's role may be limited in scope and financial responsibility.)

### **Public Infrastructure**

During the Five Year Implementation Plan period, the Agency will fund various infrastructure improvements throughout the Project Areas. Public infrastructure projects will fall into the following categories.

- Street improvements, bicycle and pedestrian improvements, and transit and alternative transportation facilities to enhance circulation, increase intensification of land use in underutilized areas, and reduce pedestrian/vehicular conflict throughout the Project Areas.
- Streetscape improvements to provide safer and more uniform streets through the installation or improvement of landscaping, lighting, furniture, etc.
- Interchanges to improve the capacity, connectivity and safety of street interchanges through improvements such as traffic signals, street widening, turning lanes, ramp structures, frontage roads and pedestrian overcrossings.
- Construct and reconstruct bridges and undercrossings to enhance circulation, increase intensification of land use in underutilized areas, and reduce pedestrian/vehicular conflict.
- Install, construct, reconstruct or expand storm drainage facilities needed to mitigate ground water pollution, contamination and flooding, including detention and retention basins, and quality mitigation measures.
- Install, construct, reconstruct or expand public sanitary sewer facilities to mitigate ground water pollution and contamination, implement the Nitrate Compliance
- Program and allow for intensification of land use in underutilized areas.
- Install, construct, reconstruct, or expand public utilities including electrical, telephone, fiber optics, and other related power or telecommunication utilities, such as solar or cogeneration facilities.

Potential projects may include but are not limited to:

- 20<sup>th</sup> Street and Forest Avenue improvements
- SHR 32 widening
- Bruce Road reconstruction
- Crossing of Little Chico Creek at Bruce Road and Notre Dame Boulevard
- Second Street improvements for vehicular, bicycle and pedestrian traffic
- Infrastructure improvements resulting from adopted neighborhood plans
- Storm drainage and road improvements adjacent to Enloe Medical Center
- Major infrastructure gaps (road, sewer, storm drainage, etc.) that increase capacity and connectivity to intensify land use and develop underutilized property as identified within the General Plan Update
- Storm drain system capacity improvements
- Sewer system improvements
- Nitrate Compliance Program
- Public improvements at the Chico Municipal Airport and Industrial Park (road, sewer, storm drainage, etc.)
- Traffic signals at key intersections
- Neighborhood pedestrian improvements

### **Parks, Landscaping and Open Space Programs**

During the Five Year Implementation Plan period, the Agency will fund various parks and landscaping improvements throughout the Project Areas. Such projects may include rehabilitating existing parks, acquiring and/or improving land for habitat restoration, parks, playgrounds, and other recreational/sport facilities as well as associated landscaping and creekside greenways.

Potential projects may include but are not limited to:

- Children's Playground improvements
- One Mile Recreation Area – Sycamore Pool Restoration
- DeGarmo Park improvements
- Upgrading athletic fields at Wildwood Park
- Upgrading irrigation systems at Hooker Oak Park
- BMX Track/Free Style Park
- Ceres/Highland Neighborhood Park
- Neighborhood Parks
- Public/private partnerships for additional "third places" in the community such as an aquatic facility, gymnasium, performing arts facility, etc.

## **Public Facilities**

During the Five Year Implementation Plan period, the Agency will fund various public facility improvements throughout the Project Areas. Public facility projects will fall into the following categories.

- Community facilities such as the installation, construction, reconstruction, or expansion of public facilities including fire and police stations, playgrounds, animal shelter, commercial area improvements; lighting; fire hydrants; and other public buildings, property, facilities and equipment.
- Parking such as the construction or reconstruction of surface parking lots and parking structures to increase municipal parking resources near central commercial areas, transit facilities, and significant public facilities and amenities.
- Airport improvements by facilitating the development of the airport as a major asset of Chico including the unimproved airport land, runway and apron improvements; and improvements in parking, lighting, the terminal, and other infrastructure improvements such as demolishing and clearing structures, mitigating environmental contamination, and providing public utilities.

Potential projects may include but are not limited to:

- Construction/renovation of police facilities\*
- Construction/renovation of fire stations\*
- Construction/renovation of animal shelter
- Parking improvements in the Downtown
- Funding local share of Airport Capital Improvement projects, including but not limited to land acquisition, terminal expansion, road construction and fire protection costs
- Construction of new hangars at the Chico Municipal Airport
- Removal of remaining WWII era wooden buildings and WWII era metal hangars at Chico Municipal Airport
- Fire hydrants

(\* Staff is researching alternative funding mechanisms for these large public facilities)

## **Economic Development**

During the Five Year Implementation Plan period, the Agency will fund various economic development initiatives throughout the Project Areas. Potential assistance programs may include but are not limited to:

- Projects related to the implementation of the unified set of goals in the CAMRPA, adopted as a part of the Plan Amendments in 2004, related to: providing a more diversified and stable economic base and revenue stream; improving employment opportunities; promoting economically viable use of parcels; providing a safer, more efficient and economical movement of persons and goods; assembling land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in Project Areas; and eliminating economic deterioration and underutilization of property.
- Projects related to the implementation of the General Plan Policies regarding Economic Development related to the intensification of land use which leads to increased investment in business districts within the Project Areas; examples might include addressing critical gaps in infrastructure (e.g. road, sewer, storm drainage, etc.); developing an infill strategy and projects; creating shovel ready sites in business areas; redevelopment of opportunity areas; mixed use development in the Downtown; etc.
- Projects related to the implementation of the Economic Strategy that strengthen the economic base of Chico with specific attention to the readiness of physical conditions for investment (land, building, and infrastructure); utilizing redevelopment investment to spur other investment that would otherwise not occur; ensuring economic quality of life factors such as safety, traffic, roads, workforce housing, and public amenities; and creating more “third places” around recreation, entertainment, and art.
- Prepare for development and sell Agency/City owned and/or acquire non-Agency/City owned vacant land within the Airport Industrial Park area to prepare and sell for the purpose of business development that leads to job creation.
- Examine potential uses of City/Agency owned land for potential redevelopment.
- Modify the existing financial redevelopment tools such as the Commercial Rehabilitation Program (Façade Improvement Program), Historical Façade Improvement Program, and the Industrial Program to develop programs and activities that are utilized to stimulate greater investment.
- Consider public-private redevelopment partnerships in opportunity areas that effectively meet multiple objectives in the Strategic Criteria for Project Support.

## **Property Acquisition, Site Preparation, and Hazardous Remediation**

During the Five Year Implementation Plan period, the Agency will participate in property acquisitions, site preparation and hazardous remediation throughout the Project Areas.

- Undertake strategic acquisition of parcels to assist in site assembly for the redevelopment of key opportunity sites; dispose of land for planned improvements; and assist with site preparation, including demolition or removal of existing structures.
- Provide direct financial assistance for development such as loans, owner participation agreements (OPAs) and disposition and development agreements (DDAs).
- Provide other assistance such as property management, tenant relocation, or environmental remediation.
- Provide resources to clean up areas contaminated by toxic substances and hazardous waste, or to eliminate other environmental deficiencies. Participate in the clean up of Brownfield sites in key opportunity areas in order to open the door to private investment.
- Recruit and assist developers who can remediate and redevelop sites contaminated with hazardous materials

Potential projects may include but are not limited to:

- Oak Valley infrastructure
- Groundwater contamination clean up
- CMA Groundwater Remediation
- Purchase land for remediation purposes
- Consideration of public-private redevelopment partnerships that effectively meet multiple objectives in the Strategic Criteria for project support

## **Public Art**

During the Five Year Implementation Plan period, the Agency will encourage and facilitate the development of projects that include public art in the Project Areas and provide funds for public art projects through the Agency policy to set aside one percent of the net tax increment for public art projects.

Potential projects may include but are not limited to:

- Collaborative Installation Art Project in Humboldt Neighborhood Park
- Wind Chimes in Humboldt Neighborhood Park
- Redevelopment Fund Matching Program

## 2009-10 Capital Projects and Highlights

Significant progress was made toward alleviating blight during the 2009-10 year through numerous major capital projects. Several key projects are highlighted below:

### ***PUBLIC INFRASTRUCTURE: STREET IMPROVEMENTS***

During 2009-10 the largest percentage (51%) of Chico redevelopment dollars was spent on public infrastructure improvements. Street improvement projects comprised the major portion of public infrastructure expenditures. Listed below are a few examples of street improvement projects over the past year.

#### **Manzanita Corridor Reconstruction**

Final items of work along the Manzanita Avenue corridor were tied up in 2009-10. Bridges have been widened over Big Chico Creek and Lindo Channel. A new roundabout relocated the intersection of Manzanita Avenue, East Avenue, Eaton Road, and Wildwood Avenue to the west side of Fire Station No. 5. Upgrading this corridor is in



response to the growth that has occurred on the east and north sides of Chico. This is a key arterial that ensures the smooth movement of people, goods and services around Chico.

#### **East 8<sup>th</sup> Street Reconstruction – phase II**

Previously, the section between Fir Street and Forest Avenue was completed. Reconstruction of East Eighth from Forest Avenue to Bruce Road was completed in 2009. It continued the use of context-sensitive design and extensive neighborhood participation. A pedestrian scale streetscape with extensive traffic calming features complements the adjacent Parkview School and Bidwell Park.



### **East 5<sup>th</sup> Avenue Reconstruction project – phase III**

This portion of 5<sup>th</sup> Avenue from Mangrove Avenue to The Esplanade is being reconstructed and includes extensive improvements to sidewalk, curb and gutter. The roadway is being reconstructed and will recycle much of the existing roadway materials. This is the third and final phase for the reconstruction of East 5<sup>th</sup> Avenue.



### **Dr. Martin Luther King Jr. Parkway/East Park Avenue Intersection**

This intersection is being rehabilitated and widened to better handle increased traffic serving the retail area and Sierra Nevada Brewery to the north. Construction began in the Summer of 2010 and will be completed in early 2011. It is being built in conjunction with the adjacent Skyway/Highway 99 Interchange.

## ***PUBLIC INFRASTRUCTURE – INTERCHANGES AND BRIDGES***

### **Skyway/Highway 99 Interchange**

The Skyway/Highway 99 Interchange project will complete the interchange by finishing the western half. This half will mirror the improvements on the east side with similar ramp configuration and signaled intersections. The overpass itself will remain unchanged. Construction began in the Spring of 2010 and is expected to finish in the Spring of 2011. This project is part of a bigger economic development infrastructure objective to strengthen the east-west industrial corridor from the jobs centers in southwest Chico to Paradise.

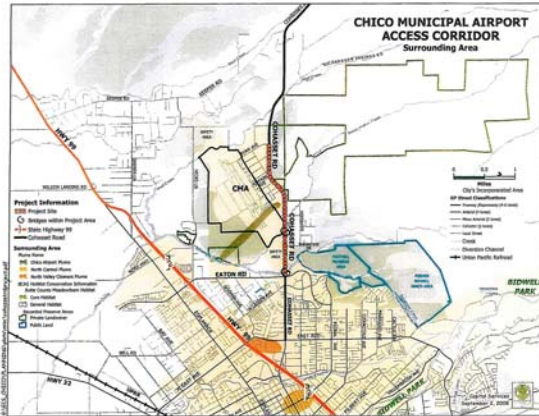


## ***PUBLIC INFRASTRUCTURE/ECONOMIC DEVELOPMENT***

### **Cohasset Road Widening to Four Lanes**

Cohasset Road is a major north-south arterial connecting the Chico Municipal Airport and three adjacent job centers to Highway 99, the major transportation corridor through Chico. This infrastructure project is a powerful economic development tool to provide

connectivity to one of the region's largest job centers. Previous phases replaced and widened a bridge, and reconstructed the two lane portion of Cohasset Road from Airpark Boulevard to Ryan Avenue. With the award of a \$2.5 million federal Economic Development Administration (EDA) grant, the roadway segment from Eaton Road to Airpark Boulevard will be reconstructed and widened to four lanes in 2011. This \$5 million infrastructure project is funded with 50% redevelopment funds. In turn, these



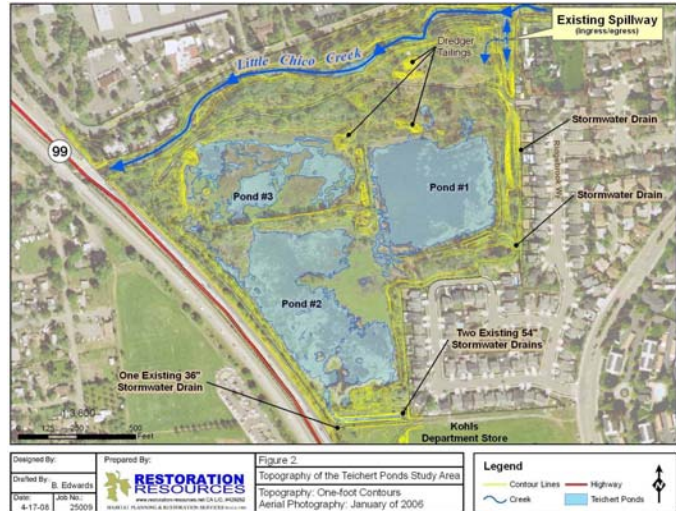
improvements will spur private investment, create jobs, leverage local resources and strengthen the regional economy.



## ***PUBLIC INFRASTRUCTURE – STORM DRAINAGE IMPROVEMENTS***

### **Teichert Pond Management Plan**

The City of Chico is proposing to restore and improve the existing Teichert Ponds stormwater detention complex. A plan has been developed with restoration efforts that include enhancing stormwater detention capacity and improving water quality, as well as creating high quality wetland and riparian habitats. Habitat enhancements will remove invasive, exotic vegetation and establish native vegetation, and also include the installation of basking structures and nesting structures for native wildlife. Improved trails and access, and wildlife viewing areas are also proposed that will result in a valuable community open space within the urban fabric.



## ***PUBLIC INFRASTRUCTURE – SEWER FACILITY IMPROVEMENTS***

### **Nitrate Compliance Program**

In 2009, construction began on the Agency's largest project to date: installation of public sewer facilities throughout the Chico Urban Area to address groundwater contamination. The scope of this project is also the largest of its type in California history and the road to resolving the problem has been long and complicated. Following is a brief overview of the project.



### Identifying the Problem

In the late 1970s, the California Department of Water Resources, in coordination with Butte County, performed an assessment of nitrate contamination in private wells in the Chico Urban Area. The study concluded that several areas of high nitrate levels existed, and that septic tanks were a major source of nitrate contamination in the shallow aquifer. To protect groundwater quality, the Central Valley Regional Water Quality Control Board (Regional Water Board) issued Prohibition Order No. 90-126 on April 27, 1990, which prohibited waste discharges from individual disposal systems in the Chico Urban Area.

The Prohibition Order initially affected nearly 12,000 dwelling units. The Regional Water Board identified approximately 5,634 dwelling units out of the 12,000 units to be connected to the City's existing sewer collection system. These areas are located in the City's northern area (Lassen Avenue corridor), central area (Chico-Vecino Avenues), and southern area (Chapman-Mulberry Neighborhood). The dwelling units include single-family homes, apartment complexes, and mobile park homes that currently have separate and/or combined septic tanks. It is estimated that diverting these dischargers to the City's existing sewer system for treatment will reduce approximately 90 tons per year of nitrates that could potentially contaminate groundwater quality.

### Collaborating to Solve the Problem

The County of Butte, City of Chico, and Chico Redevelopment Agency have worked together to find a means to provide public sewer facilities to which citizens could connect in order to comply with the Prohibition Order. The major milestones of this collaboration are summarized below:

## Chico Urban Area Nitrate Compliance Program Major Milestones To Date

- 1979** – Nitrate first detected in groundwater
- 1985** – Nitrate Action Plan adopted
- 1988** – Nitrate Action Plan amended; Community Service Area 114 Formation
- 1990** – Regional Water Quality Control Board adopts Prohibition Order No. 90-126
- 1993** – Formation of the Greater Chico Urban Area Redevelopment Project Area
- Mid-1990s** – Hydraulic studies conducted to determine nitrate sources; Citizen’s committee set up to assist with the response to the Prohibition Order
- 1998** – Draft Nitrate Compliance Plan released for public review
- 2000** – Final Nitrate Compliance Plan adopted; Negotiations and execution of an agreement between the County of Butte and City of Chico for extension of sewer services and installation of public improvements (amended in 2003)
- 2004** – Fiscal merger of the four Chico Redevelopment projects to generate additional tax increment; Negotiation and execution of a letter agreement between the County of Butte, the City of Chico, and the Chico Redevelopment Agency regarding the use of redevelopment funds to support project financing for installation of public sewer facilities
- 2005** – Negotiation and execution of the Joint Exercise of Powers Agreement to form the Chico Urban Area Joint Powers Financing Authority (amended in 2006, amended again and restated in 2007)
- 2007** – Execution of Public Improvement Agreement between the JPFA and the City of Chico.
- 2007** – Execution of \$38,000,000 loan agreement between the Chico Urban Area Joint Powers Financing Authority and the State Water Resources Control Board
- 2009** – Construction commences in Project Area 1N – the first of six project areas

### Construction Timeline

Project Area	Estimated Construction Start	Construction Completion
1N (Lassen Ave Area)	March, 2009 (actual)	December, 2009 (actual)
1S (Chapman-Mulberry Neighborhood)	Spring, 2011	Fall, 2011
2N (East Ave/Cohasset Road Area)	Spring, 2011	Winter, 2012
2S (East 5 <sup>th</sup> /East 8 <sup>th</sup> Ave Area)	Spring, 2013	Winter, 2014
3N (Esplanade/Nord Hwy Area)	Spring, 2015	Winter, 2016
3S (Nord/West 11 <sup>th</sup> Ave Area)	Spring, 2016	Winter, 2017

Over a 10-year construction period, the City of Chico will construct sewer facilities and improvements so that citizens in the affected areas will be able to connect to the sewer system and comply with the Prohibition Order.

## Funding the Problem

The Greater Chico Urban Area Redevelopment Project was formed in 1993 in part to finance the sewer improvements required to implement programs addressing the Prohibition Order. Under the terms of the Joint Exercise of Powers Agreement between the Agency and the County, the Chico Urban Area Joint Powers Financing Authority (JPFA) was formed for the sole purpose of financing the construction and installation of sewer facilities and improvements to implement the Nitrate Compliance Plan.

Project planning costs have been funded with County Service Area 114 revenue dedicated to this project. The costs of construction are funded with a \$38 million loan from the State Water Resources Control Board, which will be repaid with tax increment revenue received by the Agency. The JPA agreement obligates the Agency to contribute \$1.9 million a year to pay the debt service on the loan.

## Construction Beginning

Construction on the first phase of this large-scale project, the Lassen Avenue corridor (Project Area 1N), is complete, providing the opportunity for over 1,000 households to connect to the City sewer. The second phase of construction, the Chapman-Mulberry Neighborhood (Project Area 1S), is gearing up with construction anticipated to begin Spring 2011. The third phase of construction, Project Area 2N is anticipated to begin in early Summer 2011. This area is composed of the Connors-White-Rio Lindo Neighborhood, the El Paso-White-El Varano Neighborhood, and the Pillsbury-Cohasset Neighborhood.

See Appendix 1 for the seasonal construction timeline for the project.

## ***PUBLIC INFRASTRUCTURE – AIRPORT IMPROVEMENTS***

### **Airport Apron Reconstruction**

The Chico Municipal Airport is a major asset to Chico. The Federal Aviation Administration (FAA) recognizes the importance of airport to civil aviation and communities and awards Airport Improvement Program (AIP) grant funding for the purpose of maintaining these valuable assets. AIP grants fund 95% of the cost of a project with City redevelopment funds providing the required 5% local match.



The focus of AIP funding for the past few years has been on reconstruction of the airport infrastructure. Phase IIa was completed in 2009-10 replacing a section of the concrete ramp in front of the terminal. Phase IIb has received AIP funding for construction in



This project implements a high priority identified in the Southwest Chico Neighborhood Improvement Plan.

### Parks, Landscaping, and Open Space

Development of DeGarmo Community Park in the northwestern part of the City is creating a destination recreation site. Phase I created a unique dog park, baseball fields and walking paths. A children's play area included landscaping, shade structure, benches and walkways. The development of the park continued with the completion of Phase II. This recently completed phase included added softball fields, soccer fields, and walking paths as well as expanded parking on the west side and a second access off of the Esplanade, making this popular park more accessible to all community members.



### CARD Park Facility Improvements

Hooker Oak is already a popular array of softball fields, but the recent enhancements have made this neighborhood park a gateway for other activities. The addition of new access points off of Manzanita Avenue, an added parking lot, a new path and extra restrooms creates additional attraction to other features at this park such as the children's playground, disc golf course, picnic areas and natural surroundings.

### Children's Playground Improvements

Located at the north entrance to the downtown at a confluence of major downtown streets, Childrens Park lies adjacent to the Chico State campus and has held a special place for both citizens and students as a place to congregate and socialize close to downtown amenities and classes. The completion of the Childrens Playground Improvements enhances the area by attracting more users and reinvigorating a common area in town. Improvements to the play structures, lighting, walkways and turf areas have resulted in additional use by families and more pastoral activities due to the inviting nature of the improvements and lighting.



## Public Art

The Tetrahedron Wind Chimes Project is located in the Humboldt Neighborhood Park and funded with RDA funds set aside for public art. The goal of the project was to create an amenity for a park located in a blighted area of Chico.



## **Summary of 2009-10 Capital Project Expenditures**

The Agency expended \$12,382,970 on capital projects (Non-Housing) to make progress toward Agency goals in alleviating blight during the fiscal year. Actual project expenditures are categorized into the seven major program areas in the chart below.

*(Note: Since defining specific projects into a single category can be difficult, a number of projects overlap more than one improvement category.)*

<b>Category</b>	<b>Expenditures</b>	<b>% of Total</b>
Public Infrastructure	\$7,331,970	59.2
Parks & Open Space	\$2,562,358	20.6
Public Facilities	\$2,269,857	18.3
Property Acquisition and Clean-up	\$158,532	1.3
Public Art	\$53,249	.43
Planning and Other Activities	\$6,078	.05
<b>Total</b>	<b>\$12,382,044</b>	<b>100</b>

Appendix 2 lists individual projects by activity category that were worked on during 2009-10 to assist in alleviating blighting conditions in Chico. Also listed are the prior three fiscal year expenditures and the current budget year.

## 2010-11 Capital Projects Work Plan

During the annual budget approval process the Agency-approved projects and programs to be worked on during 2010-11, are listed in Appendix 2. The chart below identifies the breakdown of 2010-11 budgeted funds by activity category.

<b>Project</b>	<b>Budget</b>	<b>% of Total</b>
Public Infrastructure	\$29,341,130	88
Parks & Open Space	\$146,566	.44
Public Facilities	\$1,709,533	5.1
Economic Development	\$422,188	1.3
Property Acquisition and Clean-up	\$1,419,425	4.3
Public Art	\$158,885	.5
Planning and Other Activities	\$19,647	.06
<b>Total</b>	<b>\$33,217,374</b>	<b>100</b>

Major multi-year projects in development and/or construction in 2010-11 include:

- Public Infrastructure Improvements (general purpose street improvements at various locations)
- SHR 99/Skyway Interchange
- East Park/Martin Luther King Boulevard Intersection
- East Fifth Avenue Reconstruction (Mangrove Avenue to The Esplanade)
- Cohasset Road Widening
- Nitrate Compliance Plan
- Avenues Neighborhood Improvements  
(Traffic calming, circulation and storm drain improvements)
- Southwest Chico Neighborhood Plan/Improvements  
(Traffic calming, sidewalks, façade improvements, etc.)

# Housing Program

This section is a description of the Agency's progress, including projects and expenditures, in alleviating blight in the area of housing in the previous fiscal year as well as the current budget year.

## Goals and Objectives to Alleviate Blight

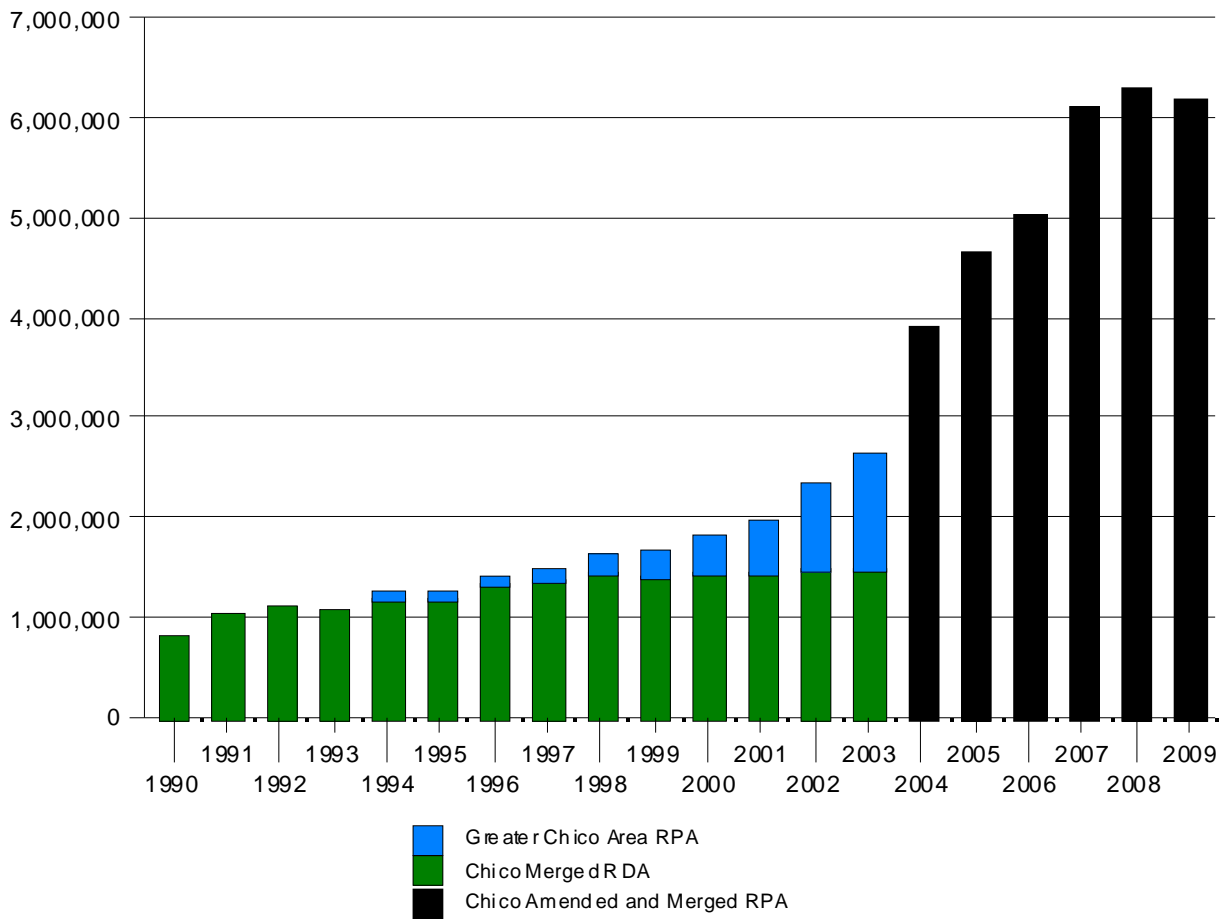
A fundamental goal of redevelopment is to improve and increase the community's supply of housing that is available at affordable housing costs to persons of low or moderate income and very low income households. Pursuant to the provisions of the Community Redevelopment Law, the Agency is required to set aside at least 20% of all tax increment revenues derived from a Project Area into a Low and Moderate Income Housing Fund. By resolutions adopted during the approval of the project areas, the Agency made the finding that it is beneficial to improve and increase the supply of low and moderate income housing outside the Project Areas and within Chico, thereby allowing Low and Moderate Income Housing Fund monies to be utilized anywhere within Chico.

The Agency's Affordable Housing Five-Year Implementation Plan was adopted June 16, 2009. The plan discusses the Agency's housing production activities for the last five years and projects future activity for the next five years. Two principle goals of the Five Year Implementation Plan are to: (1) expand homeownership for low and moderate income households; and (2) produce affordable rental housing for very low income households.

## Historical Tax Increment Revenue and Uses

Funding for low and moderate income housing projects has been derived from the 20% tax increment set aside from the Chico Amended and Merged Redevelopment Project Area. The amount of tax increment deposited into the Agency's Low and Moderate Income Housing Fund (LMIHF) by project area is presented in Figure 6 below. In 2009-10, the 20% tax increment set aside for housing was \$6.2 million.

**HOUSING SET ASIDE  
HISTORICAL TAX INCREMENT REVENUES**



The following table provides the historical uses of Low and Moderate Income Housing Funds through 2009-10, and provides a breakdown of the total number of assisted units created by affordability levels.

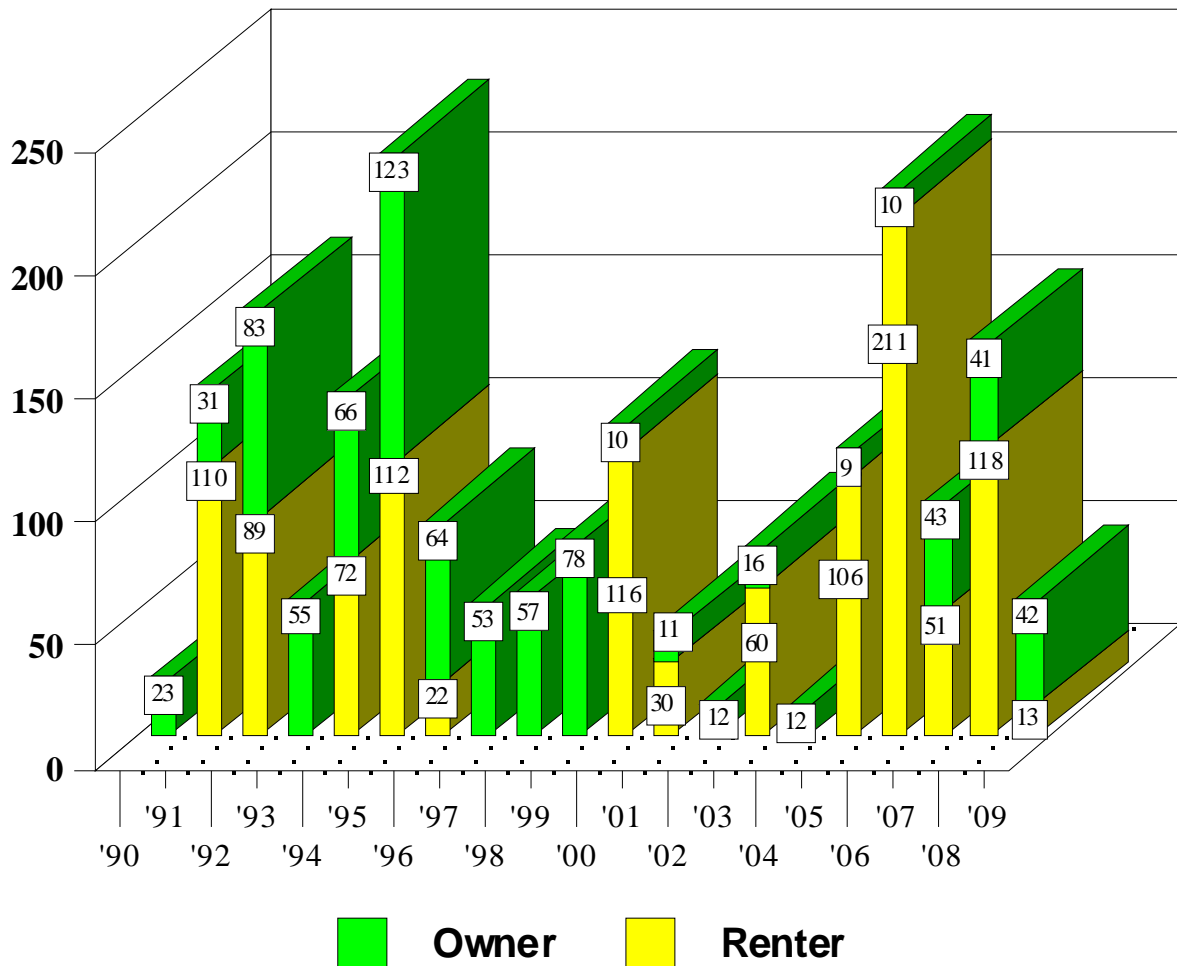
**Low and Moderate Income Housing Fund (LMIHF)  
Historical Uses of Funds Through 2009-10**

Program	Amount of Assistance	Assisted Units	Affordability			
			Very Low	Low	Med	Mod
New Housing Construction	\$29,874,160	1,217	753	360	104	0
Mortgage Subsidy Program	\$13,879,139	690	0	364	240	86
Housing Rehabilitation	\$482,831	21	17	3	1	0
Voucher Program FSA	\$51,545	184	184	0	0	0
Land Acquisition	\$1,815,204	N/A				
Predevelopment Activity	\$236,748	N/A				
Planning & Admin	\$4,908,090	N/A				
Debt Service	\$7,931,287	N/A				
<b>Total</b>	<b>\$59,179,004</b>	<b>2,112</b>	<b>954</b>	<b>727</b>	<b>345</b>	<b>86</b>

## 2009-10 Capital Projects and Highlights

Housing funds are spent on a variety of programs including self-help programs, mortgage subsidy programs, single family new construction programs, acquisition and rehabilitation of rental housing projects and new construction programs. The chart below shows the number of owner-occupied and rental units that the Agency committed to fund, by fiscal year, through the various housing programs operated by the Agency.

**HOUSING ASSISTANCE**  
**Number of New Units Assisted by Tenure Type**



Tenure Type = Owner/Renter

During the 2009-10 fiscal year, the Agency worked on the following projects:

1. **Parkside Terrace**— Affordable Housing Development Corporation (AHDC) began construction on Parkside Terrace, a 90-unit affordable rental development, in June 2010. The project is scheduled to complete in the Spring of 2011. The project will be the first development within the Meriam Park subdivision, on the west side near an elementary school and the Forest Avenue bus routes. It is also adjacent to the bike trail that runs along Murphy Commons, and is across Little Chico Creek from Murphy Commons and Hank Marsh Junior High School. A new park will also be developed across the street from Parkside Terrace. The development will include one-, two-, three-, and four-bedroom apartments ranging in size from 680 to 1,312 square feet. The design shows a mix of two-story buildings with four to ten units in each building, and six single-story bungalows adjacent to the Bedford Drive bike trail. Parkside Terrace will provide 49 units affordable to very low incomes, and 40 units affordable to low incomes. The project includes a recreation building with a fully-furnished community/meeting room, computer lab, fitness center, kitchenette, restrooms, and manager and supportive services office spaces. Other site amenities include a pool and an outdoor playground. Nine of the units are fully accessible to special needs individuals with extremely low incomes. Independent Living Services of Northern California will refer tenants for these units and provide supportive services. After school programs, such as tutoring and computer training, will be provided on-site. The Agency provided a \$10.1 million loan to the project.



2. **Catalyst HAVEN and Cottages**— Catalyst Domestic Violence Services completed their HAVEN project in the spring of 2010. The project includes a total of 28 adult beds and capacity for an additional seven rolling crib/toddler beds, located in six living units. It also provides space for counseling and legal services, management offices, common living room, dining area, a shared non-commercial kitchen, six shared bathrooms, large pantry and laundry room. This facility is approximately 9,800 square feet. At the rear of the building are an outdoor children's playground, garden and basketball court area. In addition,



Catalyst completed two two-bedroom cottages next door to HAVEN. The cottages provide temporary transitional living to HAVEN graduates and other victims of domestic violence that are unable to find stable housing. The tenants will benefit from affordable rent and supportive services that prepare them to secure permanent housing. Two more transitional living cottages will be built during the 2010-11 fiscal year. The cottages are a collaboration between Catalyst and the Chico State Construction Management Department, who provided volunteer labor and discounted materials for the project. The Agency provided a \$1,650,000 loan for HAVEN and a \$550,000 loan for the four transitional living cottages.

3. **Villa Serena**— Northern Valley Catholic Social Services (NVCSS) broke ground in June 2010 on a 10-unit affordable housing development for persons with mental disabilities, called Villa Serena. NVCSS received a HUD 811 grant that will provide most of the funding. Construction is planned to complete in the summer of 2011. The Agency committed a \$900,000 loan to this project in the fall of 2007.
4. **Habitat 16<sup>th</sup> Street Subdivision**— Habitat for Humanity of Butte County is in the process of constructing their 16<sup>th</sup> Street Subdivision in the Chapman neighborhood. One home was completed at the end of 2009, and another three homes are currently under construction. When it is complete, the 16<sup>th</sup> Street Subdivision will comprise eight new homes affordable to low income home buyers, a pocket park, curb, gutter and sidewalk, alley paving, and new street lights. The home buyers contribute “sweat equity” to the construction and volunteers and donors help to bring down costs. The Agency provided a grant of \$480,000 to the 16<sup>th</sup> Street Project in February 2009, which supplemented a City of Chico HOME grant of \$132,000. The homes will be single story, two- and three-bedroom, and 900 to 1,100 square feet in size. The three homes currently under construction are planned for completion in the Summer of 2011.
5. **Bidwell Park Apartments**— The Agency has partnered with Stone Building Corporation and Pacific West Communities to develop Bidwell Park Apartments, a 38-unit affordable housing development for low-income families. The project will redevelop a site that was previously a blighted and high crime mobile home park with new housing, children’s play area, computer lab and community room. The Agency committed a \$3 million loan to this project. This project expects to receive a tax credit allocation and begin construction in 2011 and be completed the following year.
6. **South Chapman Gateway**— In April 2005, the Agency purchased a half-acre vacant lot from Butte County at the southern end of the Chapman neighborhood in Chico, a low-income neighborhood. The Agency purchased an adjacent quarter-acre lot in June 2007. After inquiries and negotiations with other neighboring owners of vacant property, the Agency acquired adjacent lots in December 2008 and January 2009, to assemble 11 lots of 0.1-acre each on the

same block. The Agency plans to build 11-13 homes for low and moderate income first-time homebuyers. The homes will be near the 16<sup>th</sup> Street Habitat for Humanity project, and will benefit from recent infrastructure upgrades by the City and County to streets, sewer, sidewalk, curb and gutter. Two of the project's principle goals are to invest in the Chapman neighborhood through home ownership and infrastructure improvements, and to help revitalize the area. The Agency plans to select a developer for the project in the 2010-11 fiscal year.

7. **Magnolia Street Homes**— In August 2009, the Agency committed \$150,000 to assist in the construction of two two-bedroom homes to be located at Magnolia and 9<sup>th</sup> Avenue that will be sold to moderate-income first-time homebuyers. The site is currently a vacant lot. The project, sponsored by Scardina Builders, offers the opportunity to collaborate with local employers to provide affordable housing close to work. The project will be a model of small, infill development that enhances the neighborhood while demonstrating sensitivity to its context. The homes will incorporate green-building materials and systems, including an insulation system that maximizes energy efficiency. Scardina Builders received its planned development permit in the spring of 2010 plans to break ground on the homes in the 2010-11 fiscal year.

Appendix 1 lists individual projects and programs that were worked on during 2009-10 to assist in alleviating blighting conditions in housing in Chico. Also listed are the prior year expenditures and the projected expenditures for the budget year.

## **Program Information**

### Mortgage Subsidy Program

The Mortgage Subsidy Program (MSP) has been operating for 20 years and has assisted 690 households with Agency funds. The program helps to make first-time home buyers' monthly mortgage payment affordable by providing low interest, deferred payment loans with a subordinated deed of trust. After slowing between 2002 and 2007, with an annual average of approximately 12 households assisted per year, MSP loan activity accelerated significantly in the past three years. The number of loans closed increased from 10 households in 2006-07 to 43 households in 2007-08, 33 households in 2008-09, and 42 households in 2009-10. Despite the recent increase in foreclosures throughout the housing market, there has been just one foreclosure on a home purchased with MSP over the past five years. This is most likely due to the program's conservative underwriting guidelines and mandatory homebuyer education provided by the Community Housing and Credit Counseling Center.

### Special Needs Housing

The City of Chico Housing Element includes specific programs to address the needs of special population groups, such as the elderly, the disabled, and other groups with

difficult housing needs. The LMIHF of the Agency is a key resource in meeting these needs. In the fall of 2007, the Agency committed a \$900,000 loan to Northern Valley Catholic Social Services for development of 10 units of permanent housing with supportive services for persons with mental disabilities. This project is currently under construction and will complete in the summer of 2011. The Agency also supported construction of a housing facility for low-income victims of domestic violence. This facility, owned by Catalyst Domestic Violence Services, completed construction in early 2010 and is currently in operation.

**Excess Surplus Status in Housing Fund**

Excess surplus is defined as the unexpended and unencumbered amount in the Agency's Low and Moderate Housing Income Fund that exceeds the greater of \$1 million or the total amount deposited in the Housing Fund during the Agency's preceding four fiscal years (California Health and Safety Code Section 33334.12[g][1]). The first fiscal year to be included in the ongoing calculation was fiscal year 1989-90.

As indicated below, the Chico Redevelopment Agency Low and Moderate Income Housing Fund does not have excess surplus housing funds.

**LOW AND MODERATE INCOME HOUSING FUND  
"EXCESS SURPLUS" STATUS**

	<b>Annual Increment Deposit</b>
<b>2005-06</b>	\$4,644,817
<b>2006-07</b>	\$5,429,886
<b>2007-08</b>	\$6,106,492
<b>2008-09</b>	\$6,409,425
<b>Total</b>	<b>\$22,590,620</b>
<b>Ending 2009-10 Balance</b>	<b>\$4,290,807</b>
<b>Excess Surplus</b>	<b>(\$18,299,813)</b>

In the event an excess surplus were to exist, during the first year of excess surplus the Agency may voluntarily disburse the excess amount to the local housing authority or other public agencies performing housing development within the Agency's jurisdiction. If the Agency pursues this option, the Agency is not subject to potential penalties. If the Agency selects to encumber the funds itself, it has two additional years (a total of three years) to expend or encumber the excess funds. If the excess is not encumbered or expended within the three year period, State law prohibits an Agency from undertaking new non-housing activities until the excess surplus has been expended or encumbered.

## Displacement and Housing Replacement

Section 33080.4 of California Community Redevelopment Law requires that the Agency describe displacement and housing replacement activities in its Annual Report. The Agency did not undertake any displacement or housing replacement activities during 2009-10.

During the 2007-08 program year, the Agency initiated redevelopment of a blighted mobile home park to new affordable housing. The Agency removed 16 units to redevelop the property. State Redevelopment Law requires that Agency-funded replacement units are constructed within four years of removal of the original units. Removal of the units was completed in August 2008. Parkside Terrace will replace all of the removed units and is expected to be complete by the summer of 2011.

The figure below summarizes characteristics of the households displaced, housing units removed and affordable units planned for replacement. The income columns refer to the income level of the displaced households, and the affordability level of the replacement units.

### 2009-10 DISPLACEMENT AND HOUSING REPLACEMENT

	Moderate Income	Lower Income	Very Low Income	Total
Units Removed Housing Moderate, Lower and Very Low Income Households	2		14	16
Parkside Terrace Units	2		14	16
<b>Remaining Units to Replace</b>	<b>0</b>		<b>0</b>	<b>0</b>

## Agency Owned Property

The figure below summarizes property that the Agency has acquired with Low and Moderate Income Housing Funds and currently owns.

### AGENCY OWNED PROPERTIES THAT WERE ACQUIRED WITH LOW AND MODERATE INCOME HOUSING FUNDS

Address	Project	Future Owner	Date of Acquisition	Acreage	Projected Date of Conveyance to Future Owner
871/879 E. 19 <sup>th</sup> St.	South Chapman Gateway	Undetermined	1/30/2009	0.30	August 2011
899 E. 19 <sup>th</sup> St.	South Chapman Gateway	Undetermined	12/24/08	0.20	August 2011
1197 E. 8 <sup>th</sup> St. 1190 E. 9 <sup>th</sup> St.	Bidwell Park Apartments	SBC and PWC	1/16/2008	1.15	June 2011
856 E. 20 <sup>th</sup> St.	South Chapman Gateway	Undetermined	6/22/2007	0.22	August 2011
Wisconsin and Boucher Street	Wisconsin and Boucher	Undetermined	4/11/2007	1.13	August 2011
874 E. 20 <sup>th</sup> St.	South Chapman Gateway	Undetermined	4/15/2005	0.45	August 2011

## 2010-11 Housing Projects Work Plan

During the 2010-11 program year, the Agency will:

- Assist Pacific West Communities (PWC) and Stone Building Corporation (SBC) in securing tax credits, closing construction financing, and beginning construction on Bidwell Park Apartments, a 38-unit apartment complex affordable to low-income families.
- Work with Habitat for Humanity to sell three additional homes at the 16<sup>th</sup> Street Subdivision to low-income first-time homebuyers. Provide funding necessary to initiate construction on the remaining four homes in the subdivision.
- Assist Scardina Builders in securing financing and initiating construction on two homes for first-time homebuyers at Magnolia and 9<sup>th</sup> Avenue.
- Select a developer and begin design for 10-15 houses on Agency-owned parcels at 19<sup>th</sup> and 20<sup>th</sup> Streets with. The houses will be affordable to low- and median-income first-time homebuyers.
- Continue to operate the Mortgage Subsidy Program (MSP) for low and moderate income first-time homebuyers.
- Acquire property on Park Avenue to develop a mixed-use rental housing development that will contribute to the revitalization of the corridor.
- Initiate the development of transitional housing that assists individuals and families in moving from homelessness to stable, permanent housing. Collaborate with local service providers to identify needs and resources.
- Identify opportunities for the development of a Single Room Occupancy project, rehabilitation of existing housing or acquisition of rental housing with expiring federal subsidies to preserve affordability.

Appendix 1 lists the budgeted funds for 2010-11 in the various categories.

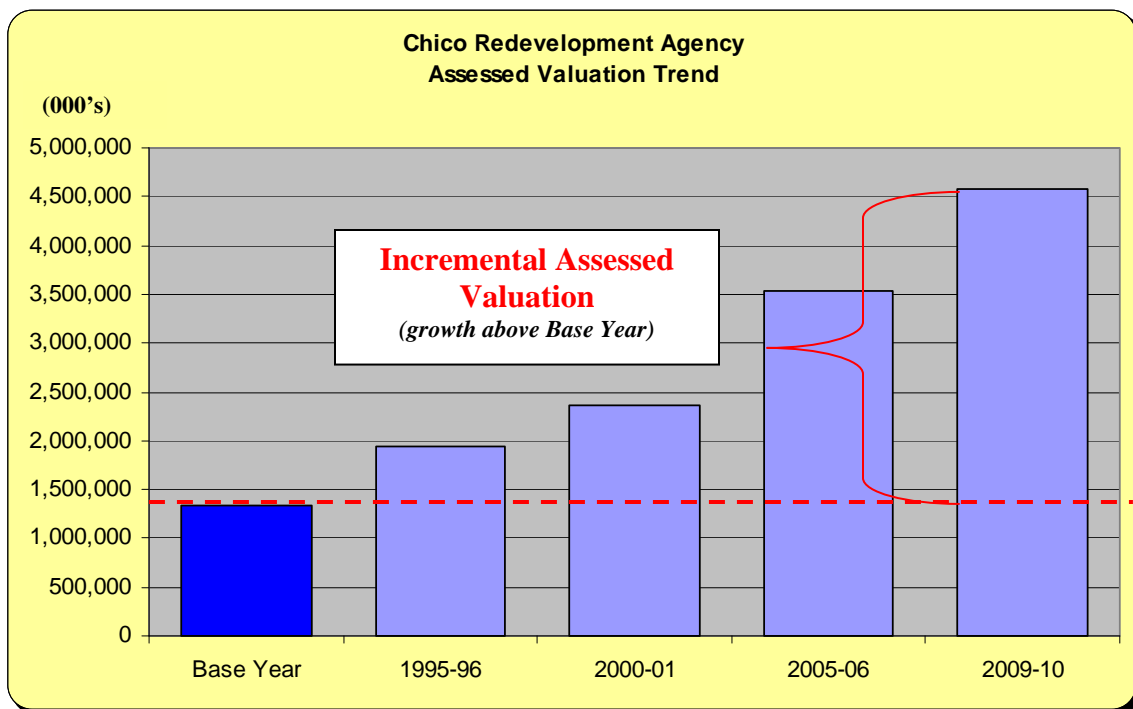
# AGENCY FISCAL REPORT

In compliance with Subsection (b) of Section 33080.1 of the California Health and Safety Code, the following financial information is provided.

## Introduction

Redevelopment is a financial tool that is based on the redistribution of property tax dollars within a jurisdiction to assist local governments in the revitalization of blighted areas. Redevelopment stimulates new construction and higher property values within a project area over time. The increased property taxes generated from new construction and higher property values create the “tax increment revenue,” which is allocated to a Redevelopment Agency to pay the costs of implementing the project.

The Chico Redevelopment Agency has greatly benefited over the years from the increased property values. Below is a chart depicting the growth in total assessed valuation of the Redevelopment Agency since 1980. Tax increment revenue is calculated as 1% of the Incremental Assessed Valuation.



As mentioned above, redevelopment financing is based on the redistribution of property tax dollars. The establishment of a Redevelopment Agency does not increase taxes nor add any new tax obligations to property owners within a project area. Rather, after a

project area is formed, the tax dollars are distributed differently among the taxing entities within the jurisdiction.

When a Redevelopment Plan is adopted, the total value of all taxable property in the project area is determined as of a specific date, known as the “Base Year.” From that date forward, all entities which levy taxes within the project area, such as the City, County, local school districts, and special districts, continue to receive property tax from this “frozen” base assessed value of taxable property. Any future growth in property tax revenue above this frozen base is redirected to the Redevelopment Agency in the form of tax increment revenue. The Agency then uses this tax increment revenue to finance project costs and support low and moderate income housing programs. The Agency also helps mitigate the fiscal burden placed on the taxing entities as a result of redevelopment by passing through a portion of the tax increment back to the entities.

## **Revenue Projections – Tax Increment**

A critical part of the fiscal management of the Agency is determining the financial resources that will be available to implement the Redevelopment Plan. This task is dependent on analyzing the tax increment that will be generated.

During fiscal year 2009-10, the Agency received \$31,728,673 in actual tax increment revenue, slightly greater than the budgeted \$30,976,262 and represents an increase of 2.1% over the prior fiscal year. With the economic downturn and its impact on the housing market, growth in tax increment revenues are expected to dramatically slow down as compared to historical tax increment trends. Utilizing a Tax Increment Projection Model, developed by Seifel Consulting, the Agency is projecting very modest growth in tax increment over the coming five-year period. Growth in tax increment is generated from increased assessed valuation, which can occur in the following ways:

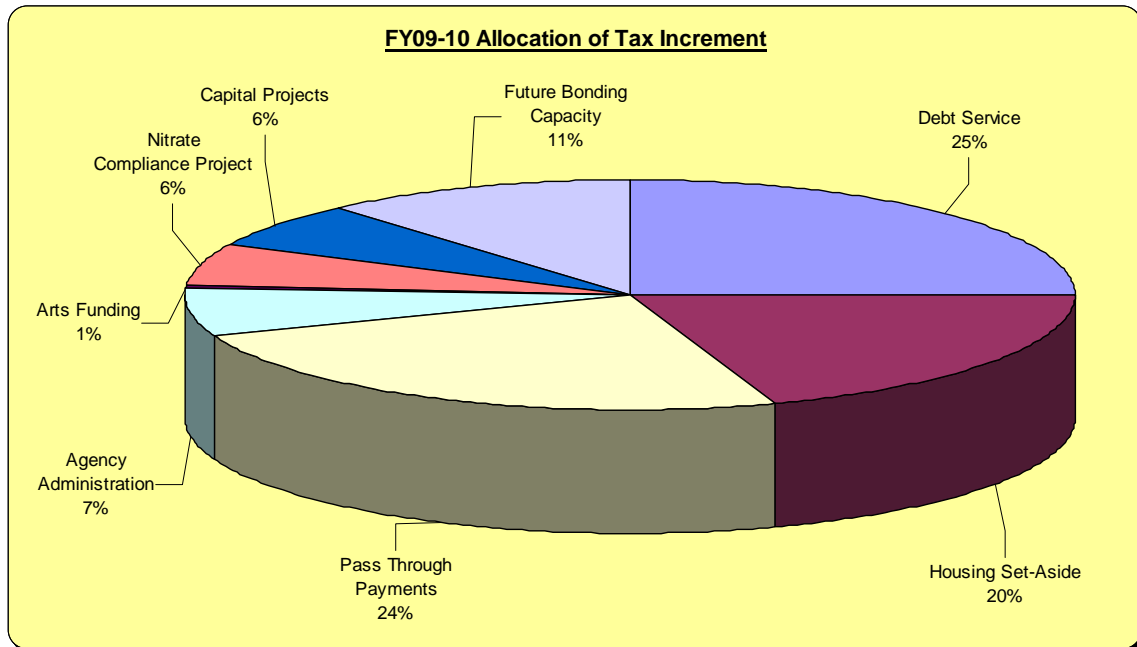
- (1) From the sale or rehabilitation of existing property
- (2) From the mandated inflation allocation (limited to 2% per year)
- (3) From new development.

The double-digit growth experienced in tax increment during the past five years is not likely to occur during the coming five year period due to the steep decline in development activity as well as the lower assessed valuation of properties within the Redevelopment Project Area.

### Distribution of Tax Increment

Tax increment is the Redevelopment Agency’s primary revenue source and is necessary to fund the various obligations of the Agency. Tax increment is a powerful tool because the Agency continually invests incremental property taxes with the express purpose of revitalizing the project area by encouraging new development, aiding existing businesses and property owners, and eliminating adverse physical and economic conditions. A substantial component of tax increment revenue is directed towards the repayment of the

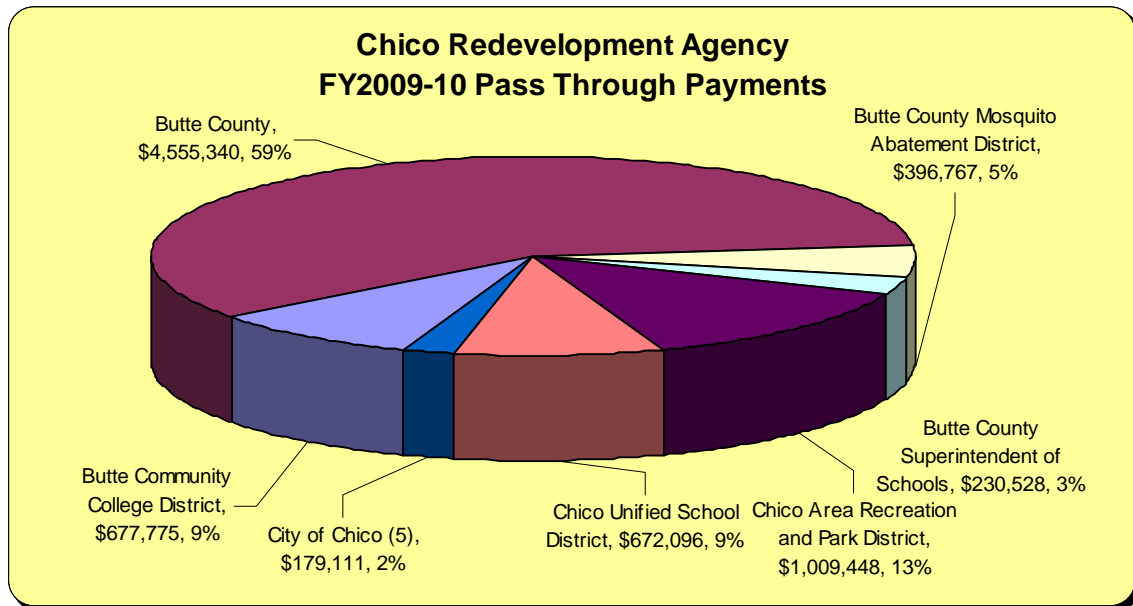
debt service obligation of the Agency, as this is the underlying premise of Redevelopment. Indebtedness is a mandatory requirement of the Agency before it is eligible to collect tax increment revenue. The Agency leverages this tax increment revenue stream and issues bonds to generate capital resources to invest back into the project area that will, in turn, increase the overall assessed valuation of the project area, thus increasing future tax increment revenue. Currently, the Agency pays approximately \$7.9 million per year in debt service, for three outstanding bond issuances, which generated \$124 million in capital resources. The chart below depicts the allocation of tax increment revenue:



By law, the Agency is required to set aside 20% of its gross tax increment for Low and Moderate Income Housing needs. In addition, the Agency allocates 24% of its tax increment on several contractual and statutory pass through payments to those taxing entities that were affected by the formation of the Redevelopment Agency. The Agency allocates another 7% towards administration and 7% towards contractual obligations, such as the \$1.9 million annual payment to the Chico Urban Area Joint Powers Financing Authority to finance the installation of public sewer facilities. The Agency also allocates 1% of the net tax increment to public art projects. With the recently adopted fiscal strategy, the Agency dedicates only 6% (approximately \$2 million per year) of its available revenue towards Capital Projects, so that it can build its future bonding capacity with a revenue stream to pay off future bonds.

## Tax Increment Proceeds

Of the total Tax Increment proceeds of \$31,728,673 received during fiscal year 2009-10, a total of \$7,721,065 was distributed to the taxing entities noted in the chart below, pursuant to contractual and statutory pass through agreements. Total Contractual Pass Through Payments totaled \$6,925,226 and total Statutory Pass Through payments totaled \$795,839.



In addition, Butte County receives an administrative fee annually to collect taxes and transfer money to the Agency. In 2009-10 the fee was \$533,794.

## Available Bond Proceeds

In addition to tax increment revenue, redevelopment agencies raise capital funds through the issuance of bonds. Since 2001, the Chico Redevelopment Agency has issued \$124 million in tax allocation bonds. These bond proceeds have been the primary funding source for the Agency's capital projects and infrastructure improvements. Currently, the Agency has \$10.0 million in unspent bond proceeds, all of which has been committed to specific capital projects.

Appendix 2 reflects non-housing capital projects expenditures funded through both revenue sources. Non-capital expenditures are listed on Appendix 4, which reflects the 10 year financial plan for the tax increment fund, as well as the summaries of the tax allocation revenue bonds.

## **Redevelopment Budget Strategy**

The Agency's primary source of revenue is tax increment generated within the boundaries of the Redevelopment Project Areas. As mentioned above, tax increment is generated from the growth in incremental assessed valuation. For fiscal year 2010-11, the Butte County Assessor's Office has calculated a 3% decrease in assessed value over the prior year. This is the first time the Redevelopment Agency experienced a decline in assessed value. This decline is in direct result of the economic recession which has caused a decline in home values. In addition, many properties have been re-valued as part of the mandatory Proposition 8<sup>1</sup> reviews that take place during a declining housing market.

### <sup>1</sup>Property Re-Valuations

In 1978, California voters passed Proposition 8, a constitutional amendment that allows a temporary reduction in assessed value when a property suffers a "decline-in-value." (California Revenue and Taxation Code, Section 51).

In an effort to help balance the State of California's budget, the California legislature authorized a \$2.05 billion raid of statewide redevelopment funds to use for state purposes. The Chico Redevelopment Agency's portion is \$11.1 million over the next two fiscal years. The Agency has made several budgetary adjustments to generate the needed cash to pay the State. The funds to meet this requirement will come from a combination of available fund balance from the Agency's Tax Increment Fund, the cancellation and/or delay of non-housing capital projects. (See Appendix 5 for breakdown) The Agency's Low and Moderate Income Housing Fund will not be negatively impacted by this payment to the State.

## **Status of Agency's Accounts Receivable**

In accordance with Section 33080.1(e) of the California Health and Safety Code, the Agency is to report all loans made by the Agency that are fifty thousand dollars (\$50,000) or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Agency. The Chico Redevelopment Agency has no such loans to report for this fiscal year.

## **Agency Owned Property**

In accordance with Section 33080.1(f) of the California Health and Safety Code, the Agency is required to report annually on its inventory of real property. The Agency owns property at the Chico Municipal Airport in the Industrial Park that is planned for economic development activities.

It also owns property in the vicinity of the previous Humboldt Road Burn Dump, which was acquired to implement a remedial action plan related to the contaminated soil pursuant to the Polanco Redevelopment Act. The remediation has been completed and a portion of that property can now be developed.

The Agency owns property along the Midway and East Park between two manufacturing business districts, adjacent to the PG&E substation, and along Comanche Creek.

The Agency owns the following properties for affordable housing projects:

- 1197 East 8<sup>th</sup> Street
- 874 and 856 20<sup>th</sup> Street
- 1190 East 9<sup>th</sup> Street
- 758 Wisconsin Street
- 871, 879 and 899 E. 19<sup>th</sup> Street

## **Other Financial Documents**

Other attached financial documents include the following:

Appendix 6 - Statement of Indebtedness

Appendix 7 - Chico Redevelopment Agency Annual Audit

Appendix 8 - Annual Report to the State Controller

Appendix 9 - Annual Report to the State Department of Housing and Community  
Development

## **SCHEDULE OF APPENDICES**

- 1 Nitrate Compliance Program: Seasonal Construction Timeline
- 2 Capital Project Expenditures (Non-Housing)
- 3 Low and Moderate Income Housing Fund – Project Expenditures by Year
- 4 Tax Increment Fund – 10 Year Financial Plan and Summaries of Tax Allocation Revenue Bonds
- 5 State Take Funding Analysis
- 6 Statement of Indebtedness
- 7 Chico Redevelopment Agency 2009-10 Annual Audit
- 8 Annual Report to the State Controller
- 9 Annual Report to the State Department of Housing and Community Development