Redevelopment Implementation Plan

for the

Las Pulgas Community Development Project Area

Menlo Park Community Development Agency

OCTOBER 2009

Conley Consulting Group

Redevelopment Implementation Plan

Prepared for the

LAS PULGAS COMMUNITY DEVELOPMENT PROJECT AREA

MENLO PARK COMMUNITY DEVELOPMENT AGENCY

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I. INTRODUCTION

The California Community Redevelopment Law (CRL) requires each redevelopment agency administering a redevelopment plan to prepare and adopt a five-year Implementation Plan. The principal goal of the Implementation Plan is to guide an agency in implementing its redevelopment programs in a manner directly related to eliminating blighting influences. In addition, the affordable housing component of the Implementation Plan provides a mechanism for a redevelopment agency to monitor its progress in meeting both its affordable housing obligations under the CRL and the affordable housing needs of the community. The Implementation Plan is a guide, incorporating the goals, objectives, and potential programs of an agency for the next five years, while providing flexibility so the agency may adjust to changing circumstances and new opportunities.

This document constitutes the Implementation Plan for the Las Pulgas Community Development Project Area in the city of Menlo Park. This Implementation Plan outlines the proposed program of revitalization, economic development, and affordable housing activities of the Community Development Agency of the City of Menlo Park for the required five year planning period.

The planning period specifically covered by this Implementation Plan spans Fiscal Years 2009-10 and 2013-14. In addition, information for later years is provided in the housing component of this Implementation Plan, as required by the CRL.

A. Organization

Generally, the Implementation Plan must contain the following information:

1. Specific goals and objectives for the next five years for both the housing and non-housing activities.
2. Specific programs and expenditures for the next five years for both housing and non-housing activities.
3. An explanation of how the goals, objectives, programs, and expenditures will assist in the elimination of blight and in meeting affordable housing obligations.
4. Other information related to the provision of affordable housing.

This introductory section, Section I, provides a basic discussion of the legal requirements, and it provides a description and goals for the Project Area. Section II sets forth the requirements for general or non-housing activities and related expenditures. Section III addresses affordable housing activities and expenditures and charts Agency progress in meeting its affordable housing obligations. Section III also includes the Affordable Housing Production Plan (according to requirements established in AB 315).

B. Interpretation

This Implementation Plan is intended to provide general guidance for the implementation of the Agency's programs and activities. The Agency expects that particular constraints and opportunities, not fully predictable at this time, will arise in the course of undertaking the programs and activities described in this Implementation Plan over the next five years. Therefore, the Agency intends to use and interpret this Implementation Plan as a flexible guide. The Agency acknowledges that specific programs and activities as actually implemented over the next five years may vary in their precise timing, location, cost, expenditure, scope, and content from that set forth in this document.

C. Project Area Description

Menlo Park is located in southern San Mateo County, midway between San Francisco and San Jose. The Las Pulgas Community Development Project Area is located in the northeastern part of the city, primarily to the east of Highway 101. The central roadway in the Project Area is Willow Road, one of the primary access points to Menlo Park via the Dumbarton Bridge and Highway 101.

The Project Area, which covers approximately 857 acres, is bounded generally on the north and northeast by the San Francisco Bay, on the northwest by Redwood City, and on the southeast by East Palo Alto (See Figure 1). It consists of four basic sub-areas (three contiguous and one non-contiguous), as described below:

- Belle Haven – a residential neighborhood, over 85 percent of which is developed with housing.
- Willow Road/O'Brien Drive Industrial Area – over 75 percent developed, the area includes the Menlo Business Park, AMB, and the Sun Microsystems site.
- Willow Road Southwest Corridor – over 95 percent developed with a mixture of commercial and residential development and the Veterans Hospital of Menlo Park.
- Haven Avenue Industrial Area – the non-contiguous sub-area in the northeastern section of the City which is over 90 percent developed.

Residential development in the area consists of approximately 1,100 single-family units and 680 multi-family units. The area's non-residential development is primarily industrial, with limited office and retail uses. The industrial uses are primarily light manufacturing and research and development.

The Project Area was established in 1981 and the redevelopment plan was amended and restated in 1991. The Agency's activities have focused on the improvement of housing conditions through direct expenditure of Agency resources, the use of other funding sources such as CDBG, and cooperation with other entities involved in housing. The Agency's non-housing activities have included various infrastructure and streetscape improvements, planning for commercial development in the Project Area, and efforts to promote employment, eliminate blight, and educational opportunities in the area.

LAS PULGAS COMMUNITY DEVELOPMENT PROJECT AREA	
No. Acres:	857
Date Adopted:	11/24/1981
Amendments:	(*Restated*) 09/10/1991 (*AB 1290 Time Limits*) 10/11/1994 (*SB 211 Debt Time Limit*) 11/18/2003
Time Limit of Plan:	11/24/2021
Time Limit to Receive Tax Increment:	09/10/2032
Last Date to Incur Debt:	(Time Limit Removed via SB 211) 11/24/2021
Statutory Pass-Through Base Year	FY 2003/04

Source: Conley Consulting Group; Menlo Park Community Development Agency; Goldfarb & Lipman

D. Implementation Plan Goals

When the Community Development Agency of the City of Menlo Park adopted the *Amended and Restated Las Pulgas Community Development Project Area Plan* in 1991, it reaffirmed several of the project's original goals and objectives.

In general, the Implementation Plan for the Community Development Project Area aims to:

1. Enhance the overall living environment of the Project Area.
2. Promote home ownership and home improvement opportunities throughout the Project Area.
3. Encourage private sector investment together with the provision of additional public amenities.
4. Increase local employment opportunities and the expansion of existing commercial enterprises within the Project Area.
5. Promote commercial and industrial rehabilitation and infill construction in conformance with the General Plan and Goals of the Project Area Plan.
6. Promote the development of affordable rental and ownership housing.
7. Ameliorate present overcrowded housing conditions and seek to prevent them in the future.
8. Accomplish these goals with a minimum displacement of any residential homeowner, tenant, or business.

In addition to the goals stated above, the Agency has adopted the following general objectives for the Project Area. In efforts to implement the goals stated above, the Agency shall:

1. Attempt to avoid any undesirable impact of project activities upon adjacent areas outside the Project Area.
2. Attempt to provide whatever public improvements that may be needed to support other objectives of the Project Area Plan. Such improvements may be in any part of the Project Area, or beyond project boundaries where essential to the success of the project.
3. Expand or redevelop existing publicly owned land to provide adequate park and recreation opportunities within the Project Area as financial resources permit.

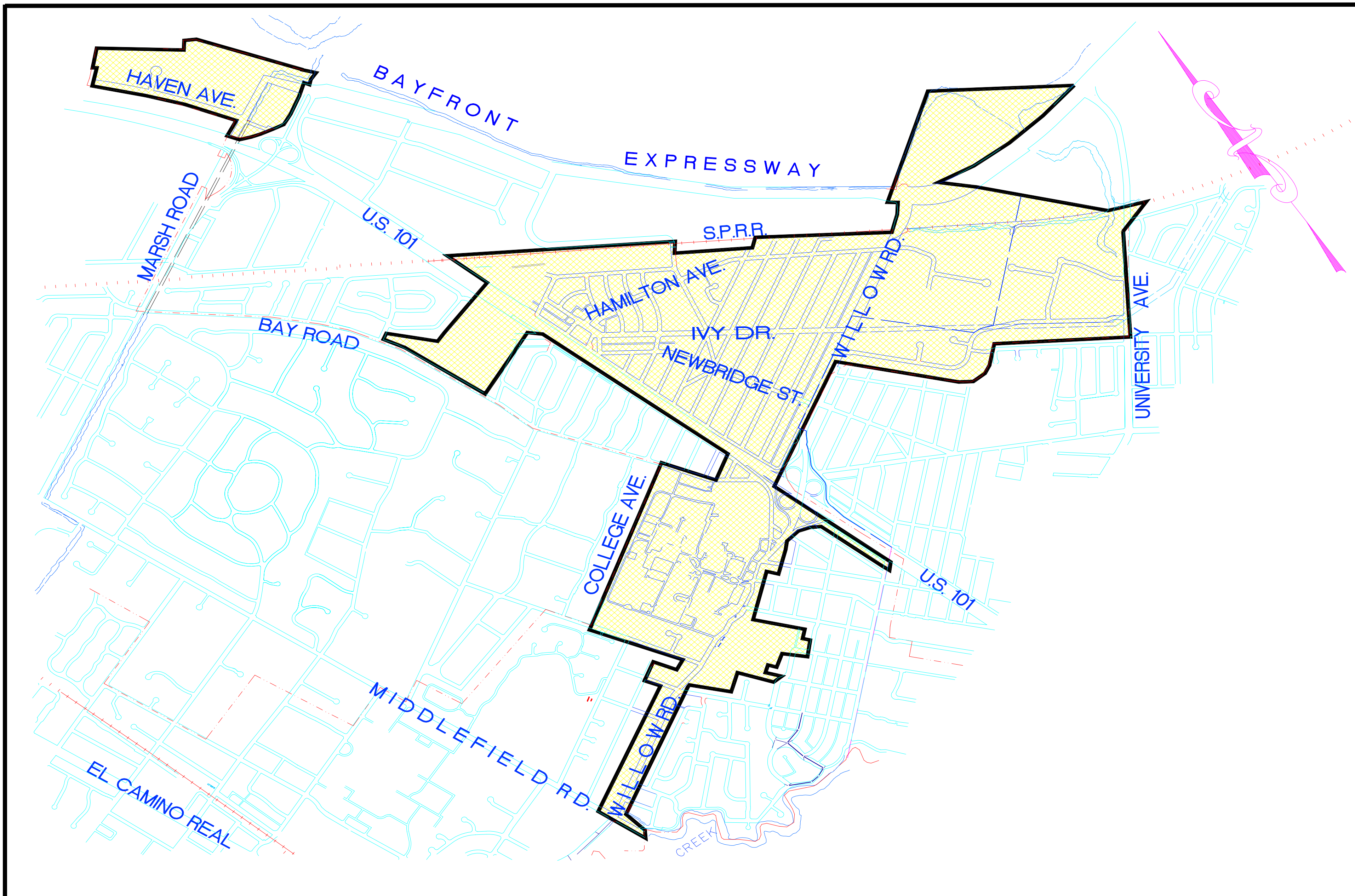

FIGURE 1 - CITY OF MENLO PARK
LAS PULGAS COMMUNITY DEVELOPMENT AREA

II. GENERAL REDEVELOPMENT ACTIVITIES

A. Agency Accomplishments

The previous Implementation Plan for the Project Area resulted in a number of accomplishments. For each year between FY 2004/05 and FY 2008/09, the Agency continued to implement projects identified by the five program areas established by the *Amended and Restated Las Pulgas Community Development Project Area Plan*. The following is an overview of Agency efforts according to those five program areas:

- **Planning and Code Enforcement** – Primary activity included ongoing funding for code enforcement and drug abatement, and planning studies focused on improving housing/neighborhood conditions and making commercial uses compatible with the surrounding residences.
- **Real Estate Development and Improvements** – The Agency facilitated the development of a neighborhood-serving retail center, development of new housing, the sale of BMR units, and site/building improvements to commercial properties. The Agency also provides ongoing housing assistance and repair loans and other services for income-qualified households.
- **Public Infrastructure and Facilities Improvements** – As part of a major capital improvement program, the Agency provided funding for and managed streetscape projects, traffic improvements, commercial infrastructure, street lighting, and pedestrian/bike crossings.
- **Community Facilities** – The Agency participated in the development of a child development center and police-city service center. Funding and other assistance was provided for after-school programs, field and play-area improvements to schools and community centers, park development/improvements, and other remodel/repair projects.
- **Miscellaneous Projects** – The Agency primarily focused on (1) community meetings to discuss proposed housing developments and recent revitalization activity, (2) professional education and employment programs, and (3) other affordable housing action items associated with the Affordable Housing Action Plan and the Housing Element.

B. General Program Activities

This section provides narratives of Agency activities for the five-year period covered by the previous Implementation Plan, between FY 2004/05 and FY 2008/09. The information in all of these narratives is drawn from the annual budget reports from the Menlo Park Community Development Agency.

Planning and Code Enforcement

	Years of Activity
Code Enforcement – Continued funding for code enforcement services to improve physical conditions in the Project Area. Code enforcement service included the removal of a household in need of rehabilitation due to health and safety issues.	FY 2004/05 to FY 2008/09
Drug Abatement – Continued funding for drug abatement services to facilitate overall physical and economic revitalization.	FY 2004/05 to FY 2008/09
Pierce Road Area Improvement - Basic land use and housing conditions have been studied. Recommendations for a concentrated code enforcement program to improve existing housing and improve the streetscape were drafted. In FY 2003-04,	FY 2004/05 to FY 2005/06

enforcement officers performed initial inspections, notified code violators, and monitored corrections to code violations, including follow-up inspections. Two properties were unable to comply with code enforcements. Community Development Block Grand (CDBG) funds were used to rehabilitate a church and senior multifamily rental housing.

Haven Avenue Land Use Study – A study was initiated in FY 2004-05 to assess the potential of auto dealership and regional retail uses south of Marsh Road and on Haven Avenue. A market analysis and traffic study was completed in FY 2005-06. Subsequent work was delayed due to an emerging need to prepare a land use plan for the Dumbarton Transit Station area. The study of potential land use changes in the Haven Avenue area remains an identified project for the City.	FY 2004/05 to FY 2005/06
Dumbarton Rail Station Area Specific Plan (currently identified as Willow Business Area) – A new transit station is proposed at Willow Road and Hamilton Avenue as part of the Dumbarton Rail Corridor Project. The City embarked on a planning process to identify and plan for appropriate land uses and circulation in conjunction with the proposed station. The Initial work on the project included development of a detailed scope of work for land use and circulation planning and environmental review, and a Request for Proposal (RFP) process for contract planner and consultant services. The current approach to the project is to work directly with the key property owners to develop the land use plan, including coordinated environmental review.	FY 2004/05 to FY 2008/09

Real Estate Development and Improvements

	Years of Activity
Hamilton Park Development – The Agency acquired the property from multiple owners and cleared the site. Clarum Homes was selected as the developer. Refinement and approval of the design of approximately 47 housing units (20 affordable, 27 market rate) and a 1-acre park. Construction and site improvements ended in 2007 and BMR units were sold using the City's Purchase Assistance Loan Program.	FY 2004/05 to FY 2007/08
Habitat for Humanity/Terminal Avenue Housing – The City entered into an Exclusive Negotiating Rights Agreement (ENRA) with Habitat for Humanity (Habitat) in FY2001-02 for the development of 22 affordable housing units. Habitat subsequently filed a formal development application with the City in FY2002-03; however review of the application was postponed and the ENRA allowed to expire pending the need to resolve soil contamination and funding issues. Funding issues have since been resolved and remediation of the project site completed in October 2008. The City is continuing discussions with Habitat on the project.	FY 2004/05 to FY 2008/09
Shared Housing - Human Investment Project (HIP) - Services to place income-qualified persons in shared housing at affordable housing cost continued to be provided through the Human Investment Project.	FY 2004/05 to FY 2008/09
Center for Independence of Disabled (CID) - Modifications to homes for accessibility for income-qualified disabled and elderly persons continued to be provided by the Center for the Independence of the Disabled.	FY 2004/05 to FY 2008/09
Housing Rehabilitation Loans – Processing of loans to income-qualified (low-income) homeowners through the Housing Rehabilitation Loan Program was initiated. A combination of Agency funds and Community Development Block Grant (CDBG) funding was utilized. In five years, 15 loans were processed.	FY 2004/05 to FY 2008/09
Peace Officer Mortgage Assistance Loan (POMA) - Under State Law this allowed special mortgage assistance to police officers who buy a home in areas like the City's redevelopment area. One officer purchased a home with this assistance.	FY 2004/05 to FY 2005/06
Mid-Peninsula Citizens for Fair Housing (MCFH) - Services to combat discrimination continued to be provided through the Mid-peninsula Citizens for Fair Housing.	FY 2004/05 to FY 2008/09
Emergency Repair Loans (ERL) - Provides emergency assistance loans to very low and low-income homeowners and property owners with very low and low-income tenants. In five years, nine loans were processed.	FY 2004/05 To FY 2008/09
Landscape Grants – Landscape Grants were provided for Housing Rehabilitation Loan Program recipients within the Project Area. In five years, seven homes were landscaped.	FY 2004/05 to FY 2008/09

Public Infrastructure and Facilities Improvements

	Years of Activity
Ivy Drive Plaza, Entry and End – Point Improvements – Construction was completed on a plaza from the Belle Haven School and Library to the Belle Haven Child Development Center. Landscape improvements were made to medians along Ivy Drive at Willow Road and Market Place.	FY 2004/05
Overall Streetscape Improvements - Work was completed to provide curb, gutter, sidewalk, driveway, street tree and street paving improvements on the 1100 and 1200 blocks of Henderson Avenue and 1300 block of Madera Avenue. Pavement and curbing improvements were made along Ivy Drive and Pierce Road.	FY 2004/05 to FY 2005/06
Hamilton Avenue Streetscape Improvements - Construction was completed on Hamilton Avenue including new curb, gutter, sidewalk, street surface, trees and landscaping improvements, as well as underground utility lines.	FY 2004/05
Willow Road – Chester to Highway 101 Commercial Improvements – Public improvements were made to the 800 and 900 blocks of Willow Road. Improvements included fencing, curb, gutter, sidewalk, landscaping and street trees.	FY 2005/06 to FY 2006/07
Sidewalk Repairs – Public Works continued upgrading sidewalks within the Project Area.	FY 2004/05 to FY 2008/09
Sports Field Study – A citywide study was conducted dealing with the configuration of sports fields. Recommendations were made for Kelly Park in the Project Area. Directions to proceed with construction drawings were given by Council in 2009.	FY 2007/08 to FY 2008/09

Community Facilities

	Years of Activity
Police–City Service Center - The Agency approved a contract of sale for the purchase of a to-be built facility for housing the Police–City Service Center at the Ivy Drive and Willow Road intersection. Police and Community Development Staff worked with the developer, Willow Corners LLC, to refine the project design. The project has obtained all land use entitlements, but problems with utility infrastructure have delayed construction. Problems have recently been resolved and the project is moving forward.	FY 2004/05 to FY 2008/09
Market Place Park Improvement – The project was completed in FY 2004/05 and included new play area fencing and gates; park lighting; concrete walks; concrete paving areas; picnic tables; benches; waste containers; landscaping; trees and irrigation improvements.	FY 2004/05

Policy and Miscellaneous Programs/Projects

	Years of Activity
Information & Referral Activities - Staff provided information and referrals concerning housing opportunities, such as City housing assistance programs.	FY 2004/05 to FY 2008/09
Tax-sharing Agreements, Pass-through to Schools, County, etc. - The Agency continues funding payments via tax-sharing agreements authorized under the Community Redevelopment Law for education, training at the joint Cañada College/Job Train facility, fire prevention services, open space services and mosquito abatement.	FY 2004/05 to FY 2008/09
Housing Commission – The Commission worked on developing a recommendation for the commitment of $3.5 million in BMR Housing Funds. The Commission also reviewed development proposals for the construction of new affordable housing in the city. The Housing Commission developed new provisions for BMR rental housing, which was approved by the City Council. Several agreements were considered and recommended by the Commission, including 33 new units of affordable ownership housing, as well as the payment of in-lieu fees to be deposited into the City's Affordable Housing Reserve. The Commission also approved $3.5 million in funding for three foreclosure programs that will have an impact in the Redevelopment Area.	FY 2004/05 to FY 2008/09
Housing Element - Agency funds were provided to help update the Housing Element of the General Plan with respect to the project area.	FY 2004/05
Legislation – Agency staff implemented changes in state legislation and communicated legislation information to the City Manager and other City of Menlo Park departments for possible action and/or endorsement.	FY 2004/05 to FY 2008/09

Las Pulgas Committee – Agency staff organized meetings of the Las Pulgas Committee to discus projects and services for the Project Area on an as need basis.	FY 2004/05 to FY 2005/06
Shuttle Funding – Agency continued to fund a free shuttle service for residents of the Project Area, providing transportation to downtown Menlo Park, the Veteran's Administration Hospital, and local shopping venues.	FY 2004/05 to FY 2008/09
Belle Haven Neighborhood – Two editions annually of the Belle Haven Newsletter were mailed to the Project Area residents and businesses.	FY 2004/05 to FY 2005/06
Police Annex Lease – The Agency provided the Police Department with leased space in the Project Area until a permanent Police-City Service Center facility is constructed.	FY 2004/05 to FY 2008/09
Completion of Redevelopment Implementation Plan – The Agency completed its five-year Redevelopment Implementation Plan in December 2004	FY 2004/05
Redevelopment Area Strategic Plan – The Agency initiated a feasibility study to assess blight conditions and determine advantages, disadvantages and potential economic return on the expansion of the Redevelopment Project Area. The study was completed in FY 2005/06. The findings were reported to the Agency Board/City Council and no further action was taken to expand the Project Area.	FY 2004/05 to FY 2005/06
Debt Issuance / Servicing - The entire debt obligation of the Agency (comprised of the 1996 and 2000 bond issuances) was refinanced in May, 2006 through the issuance of $72,430,000 of Ambac-insured variable rate tax allocation bonds. The refinancing was undertaken to save the Agency nearly $5,000,000 in interest costs over the life of the debt. Then the collapse of the municipal bond insurance companies in January, 2008 created market instability and dramatic increases in interest rates, the Agency acted quickly to restructure the bonds. A letter of credit was procured to guarantee payment on the bonds, allowing the lowest possible interest rates on the Agency's debt.	FY 2005/06 to FY 2008/09

C. Redevelopment Program FY 2009/10 to FY 2013/14

1. Development Techniques

The Agency will continue to pursue the following development techniques to achieve the objectives of the Community Development Plan for economic, physical, and social revitalization of the Project Area:

1. Installation, construction, or reconstruction of street, utilities, landscaping, and other on-site and off-site improvements.
2. Encouragement of development of land by private enterprise for use in accordance with this Plan.
3. Providing for open space and recreational land use.
4. Rehabilitation and rejuvenation of existing structures.
5. Limited acquisition of real property.
6. Relocation assistance to displaced residential and non-residential occupants.
7. Limited demolition or removal of building and improvements.
8. Disposition of property for uses in accordance with this Plan.
9. Provision of financing to these projects in conformance to the Community Development Plan, as well as all appropriate City Codes and Plans.
10. Utilization of tax exempt financing vehicles available to the Agency and the City.

2. Specific Programs

This section describes the five principal program areas emphasized in the *Las Pulgas Community Development Project Area Plan*. Table 1 lists specific activities planned for the five-year planning period.

1. **Planning and Code Enforcement** – This program area focuses on two critical efforts. The first is establishing a sound planning framework for ongoing decision-making concerning development in the Project Area. The second is the enforcement of codes to ensure that living and working conditions in the Project Area are safe and sanitary.
2. **Real Estate Development and Improvements** – The principal emphasis of this program area is on activities that continue to improve, increase, and preserve the community's supply of affordable low- and moderate-income housing. The Agency had originally focused its efforts under this category on residential development. Subsequent to the Amended and Restated Plan in 1991, the Agency continued its efforts in this area, planning for and then acquiring the site of the Hamilton Avenue Park-Housing project. Also, the Agency began to broaden its focus to include promotion of non-residential development, particularly the Belle Haven Center serving Project Area residents and providing employment opportunities. The promotion of residential rehabilitation and new construction and commercial development continues to be a critical focus for the revitalization of the Project Area.
3. **Public Infrastructure and Facilities Improvements** – This program area encompasses a variety of potential projects that would improve the general level of public services available to Project Area residents and businesses. Specifically, improvements would alleviate physical and economic blight in the area; improve the quality of life in the residential area; and provide the infrastructure capacity necessary to expand development, attract new businesses, retain successful enterprises, increase employment opportunities, and ensure better access to transportation.
4. **Community Facilities** – The Agency supports the development and rehabilitation of parks and recreation facilities as well as educational and cultural facilities, particularly for children and senior citizens.
5. **Miscellaneous Projects** – This program area supports a variety of efforts addressing the general blighting conditions in the Project Area, including crime reduction and housing assistance programs.

TABLE 1
PROPOSED PROGRAM ACTIVITIES
LAS PULGAS FIVE YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

Program Activities	Description
Planning and Code Enforcement	
Ongoing Programs	▪ Code Enforcement ▪ Graffiti Abatement ▪ Drug Abatement ▪ Housing Commission ▪ Property Maintenance
Planning Studies	▪ Willow Business Area Plan ▪ Haven Avenue Land Use Study ▪ Redevelopment Implementation Plan
Real Estate Development and Improvements	
Housing Development & Rehabilitation	▪ Habitat Terminal Avenue Housing (22 very-low affordable units) ▪ Hamilton Avenue East (residential)
Commercial Development	▪ Retail Façade Improvement Program
Affordable Housing & Ongoing Housing Assistance	▪ Single Family Housing Rehabilitation Loans ▪ HIP Shared Housing ▪ Center for Independence of Disabled ▪ Mid-Peninsula Citizens Fair Housing
Public Infrastructure and Facilities Improvements	
Capital Improvement Program	▪ Dumbarton Transit Station ▪ Flood Abatement Programs
Residential and Commercial Neighborhoods	▪ Traffic Improvements ▪ Streetscape Improvements ▪ Pedestrian/Bicycle Safety Crossing ▪ Street Lighting
Commercial Improvement	▪ Dark Fiber Installation
Community Facilities	
New Construction	▪ Police-City Service Center (at Willow Road/Ivy Drive intersection)
Park Development & Improvements	▪ Kelly Park Sports Field Improvements ▪ Willow Oaks Park Improvements
Miscellaneous	
Local Employment	▪ Local Hiring Incentives/Initiatives for Contractors
Job Training / Education	▪ Funding for Business Education and Training
Shuttle Programs	▪ Funding for Shuttle Programs
Community Organizer	▪ Explore opportunities to enhance community programs through a position focused on neighborhood services
Residential Improvement Grants	▪ Funding for Rebuilding Together and Landscape Grant Programs

Source: Conley Consulting Group, Menlo Park Community Development Agency

D. Linkage Between Programs and Elimination of Blighting Influences

The CRL requires that an implementation plan provide an explanation of how the goals, objectives, programs, and expenditures for the next five years will serve to eliminate physical and economic blight in the Project Area. To provide this explanation, it is first useful to summarize the blighting influences that continue to affect the Project Area.

1. Project Area Blight

When the Las Pulgas Community Development Project was adopted in 1981, the Community Development Agency of the City of Menlo Park identified a series of blighting influences in the Project Area that justified the creation of a redevelopment project area. These influences were reaffirmed when the Agency adopted the *Amended and Restated Las Pulgas Project Area Plan* in 1991. Although conditions have improved as a result of the Agency's redevelopment initiatives, many of these blighting influences remain.

The four geographic sub-areas of the Project Area are interrelated based on the causes of their conditions, their effect on the Menlo Park community as a whole, and their need to be revitalized through a comprehensive, unified effort. Several factors combine to establish blight in the Project Area, the most prominent of which are the following:

1. Much of the housing in Belle Haven was constructed to reach the lower end of the housing market. Traditional redlining practices by lending institutions hindered attempts at improvement.
2. Poor design and construction of much of the multifamily housing stock, combined with overcrowding of many units, have contributed to the present level of deterioration.
3. Geographical separation of the Belle Haven and the Industrial Area from the rest of the community by Highway 101 has added to social and economic challenges.
4. Local industry along Hamilton Avenue has become physically out-of-date over time due to access, parcel size and configuration, and the poor economic climate of the area, leading to deterioration which further contributes to blight in the area.
5. Heavy traffic volume and a lack of major public improvements along Willow Road east of Highway 101 combined with an incongruous mix of uses that impede the improvement of this corridor, a major thoroughfare and gateway to the city.

The most serious effect of these blighting factors is that they have combined to intensify each other because they occur in a relatively small geographic area.

Although the Agency's efforts have improved conditions in the Project Area, the previously mentioned forms of blight still exist and could not be alleviated by the public or private sectors acting alone. In particular, there are a large number of recent foreclosures (147 as of 2009) as a result of the severe economic downturn that began in 2007, which has affected the Project Area more acutely than the rest of the City. Consequently, the Project Area remains negatively impacted by vacant, old, substandard, and/or deteriorating single-family and multifamily housing structures that still exist. There is still a lack of access to necessary goods and services in the Project Area, prolonging conditions of economic blight. Overall, a poor economic climate remains in the area, primarily due to insufficient public infrastructure along critical streets, persistent traffic problems, and deteriorating and incompatible housing and commercial uses, including dilapidated and obsolete industrial buildings.

2. Eliminating Blighting Influences

Table 2 provides a matrix summarizing the relationship between the Agency's proposed projects and activities presented in Table 1 and how they will eliminate blight.

E. Five-Year Implementation Plan Expenditures

Table 3 outlines projected Agency expenditures during the five-year period covered by this Implementation Plan based on the proposed redevelopment programs in Table 1. As shown in the table, the Agency has committed to $4.99 million in non-housing, redevelopment-related expenditures for FY 2009/10. For the remainder of the Implementation Plan period, the Agency plans to spend roughly $14.61 million, for a total of $19.60 million between FY 2009/10 and FY 2013/14.

Table 3 also indicates future projects that the Agency plans to undertake in the Project Area. If additional sources of revenue become available during the next five years, including tax increment revenue that has exceeded projections, the "Future Projects" column in the table suggests additional Agency activity that may result with added resources.

F. Five-Year Implementation Plan Revenues

The CRL requires that an Implementation Plan provide an estimate of financial resources available to a redevelopment agency to fund non-housing projects. This estimate is based on projections of tax increment revenues and bond issuance proceeds, which are the Agency's primary sources of funds available to finance its redevelopment activities.

Existing Agency Fund Balances

Tax Increment – Non-Housing	~ $20.5 million
Tax Increment – Housing	~ $ 1.7 million
Bond Fund	~ $ 7.7 million

Source: Menlo Park Community Development Agency

As shown above, the Agency has strong existing financial resources. With approximately $20.5 million in the non-housing fund and approximately $1.7 million in the housing fund, the Agency appears poised to make progress on its redevelopment goals despite the harsh recessionary climate and controversy surrounding the proposed Supplemental Educational Revenue Augmentation Fund (SERAF) take in FY 2009/10 and, to a lesser extent, in FY 2010/11. Currently, this proposal, intended to help solve the State's budgetary gap, is subject to legal challenge on a variety of constitutional grounds.

1. Projected Tax Increment Funds

Table 4 provides an analysis of Agency operating revenue available for non-housing programs for the next five years, showing projections of gross tax increment revenues and deductions of Agency expenses such as administration fees, pass-through payments to other taxing entities, debt service, SERAF payments, and deposits into the Housing Set-Aside Fund. The following table summarizes the Agency's annual resources available for non-housing programs.

Projected Net Agency Operating Revenue		
Fiscal Year	**Net Revenue w/ SERAF**	**Net Revenue w/o SERAF**
2009/10	-$1,552,581	$1,877,978
2010/11	$838,448	$1,544,739
2011/12	$1,714,299	$1,714,299
2012/13	$1,888,837	$1,888,837
2013/14	$2,199,907	$2,199,907
Total	**$5,088,911**	**$9,225,761**

Source: CCG, Menlo Park Community Development Agency

The tax increment projections in Table 4 are intended only as estimates, based on the best available information at the present time. Actual tax increment may be higher or lower than indicated in the model. The projections are intended to provide reasonable estimates that can guide the Agency in planning its community development activities over the next five years.

2. Bond Issuance Proceeds

The Agency estimates that as of the beginning of FY 2009/10, nearly $7.7 million in bond funds were available for non-housing programs, further bolstering the Agency's ability to proceed with its planned redevelopment programs over the life of this Implementation Plan.

3. Summary - Funds Available for Non-Housing Programs

a.) Existing Funds – the Agency currently has approximately $28.2 million available to fund non-housing programs ($20.5 million non-housing tax increment, $7.7 million bond funds).

b.) Tax Increment Revenue – in addition, the Agency is projected to earn between $5.1 million and $9.2 million in non-housing tax increment, depending upon whether or not legal challenges to the "State take" SERAF shifts are successful.

In summary, the Agency's available funds (i.e. existing funds and tax increment to be earned in the next five years) is more than sufficient to support its $19.6 million expenditure plan over the next five years.

TABLE 2
ASSOCIATING PROGRAM AREAS WITH BLIGHT
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	Redevelopment Program Areas				
Blighting Conditions	**Planning & Code Enforcement**	**Real Estate Development & Improvements**	**Public Infrastructure & Facilities Improvements**	**Community Facilities**	**Miscellaneous**
Substandard Housing	■	■	■		
Deteriorating Multifamily Structures	■	■	■		
Economic Isolation & Social Impacts		■	■	■	■
Obsolete Commercial Uses	■	■	■	■	
Insufficient Public Infrastructure			■	■	

Source: Conley Consulting Group, Menlo Park Community Development Agency

TABLE 3
PROJECTED NON-HOUSING PROGRAM EXPENDITURES, FY 2009/10 to FY 2013/14
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	Expenditure Plan			Total Expenditures	
Proposed Projects	**FY 09/10 Budget**	**FY 10/11 -FY 13/14**	**Future Projects**	**FY 09/10 -FY 13/14**	**09/10-13/14 & Future**
Planning and Code Enforcement					
Haven Avenue Land Use Study		500,000		500,000	500,000
Willow Business Area Plan	150,000	200,000		350,000	350,000
Redevelopment Implementation Plan		25,000		25,000	25,000
Hamilton Avenue East Plan	200,000			200,000	200,000
Subtotal	**350,000**	**725,000**		**1,075,000**	**1,075,000**
Real Estate Development and Improvement					
Retail Façade Improvements		100,000		100,000	100,000
Maintenance of Acquired Property	5,000	20,000		25,000	25,000
Subtotal	**5,000**	**120,000**		**125,000**	**125,000**
Public Infrastructure / Facilities Improvements					
Dumbarton Transit Station			1,000,000		1,000,000
Atherton Channel/Flood Abatement		2,500,000		2,500,000	2,500,000
Newbridge Street/Willow Road Traffic Circulation Improvements			100,000		100,000
Graffiti abatement	25,000	125,000		150,000	150,000
Streetscape – Overall		2,000,000		2,000,000	2,000,000
Streetscape – Haven Avenue		550,000		550,000	550,000
Streetscape – O'Brien Drive		500,000		500,000	500,000
Streetscape - Pierce Road		500,000		500,000	500,000
Streetscape - Willow Road		330,000		330,000	330,000
City Entry Signage on Willow and Marsh Roads		200,000		200,000	200,000
Highway 84/Willow Road Bicycle and Pedestrian Underpass Connections		900,000		900,000	900,000
Agency Street Light Conversion		500,000		500,000	500,000
Haven Avenue Security Lighting		50,000		50,000	50,000
Dark Fiber Installation		50,000		50,000	50,000
Subtotal	**25,000**	**8,205,000**	**1,100,000**	**8,230,000**	**9,330,000**

TABLE 3 (Con't)
PROJECTED NON-HOUSING PROGRAM EXPENDITURES, FY 2009/10 to FY 2013/14
LAS PULGAS FIVE YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	Expenditure Plan			Total Expenditures	
Proposed Projects	**FY 09/10 Budget**	**FY 10/11 -FY 13/14**	**Future Projects**	**FY 09/10 -FY 13/14**	**09/10-13/14 & Future**
Community Facilities					
Police Office Rent (2 years)	15,000	15,000		30,000	30,000
Police-City Service Center	426,000			426,000	426,000
OHCC Pool Improvements		200,000		200,000	200,000
Neighborhood Computer Lab Improvements			25,000		25,000
Kelly Park Sports Field Improvements	3,000,000			3,000,000	3,000,000
Solar Onetta Harris complex		400,000		400,000	400,000
Willow Oaks Park Improvements			350,000		350,000
Subtotal	**3,441,000**	**615,000**	**375,000**	**4,056,000**	**4,431,000**
Miscellaneous					
Narcotics Abatement	787,000	3,392,000		4,179,000	4,179,000
Code Enforcement	311,000	1,340,000		1,651,000	1,651,000
Ongoing Local Employment and Job Training/Education Programs		5,000		5,000	5,000
Shuttle Programs	70,000	210,000		280,000	280,000
Subtotal	**1,168,000**	**4,947,000**		**6,115,000**	**6,115,000**
Total Non-Housing Expenditures	**$4.99 M**	**$14.61 M**	**$1.48 M**	**$19.60 M**	**$21.08 M**

Source: Menlo Park Community Development Agency

TABLE 4
PROJECTED NET AGENCY OPERATING REVENUE
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14
NON-HOUSING FUNDS					
Tax Increment from Existing Assessed Value	11,708,130	11,473,967	11,847,404	12,232,044	12,628,224
Tax Increment from New Development	0	0	0	0	228,388
Other Income	646,000	633,080	653,684	674,907	696,766
Less: County Admin Fee	(117,081)	(114,740)	(118,474)	(122,320)	(128,566)
Net Tax Increment to Agency	12,237,049	11,992,307	12,382,615	12,784,631	13,424,812
Less: Pass Through Payments	(3,179,420)	(3,273,001)	(3,377,287)	(3,484,811)	(3,645,148)
Less: SERAF	(3,430,559)	(706,291)	0	0	0
Less: 20% Housing Set-Aside	(2,318,210)	(2,271,845)	(2,345,786)	(2,421,945)	(2,545,609)
Non-Housing Increment to Agency	3,308,860	5,741,170	6,659,542	6,877,875	7,234,055
Less: Debt Service (Non-Housing Fund)	(3,485,392)	(3,485,392)	(3,485,392)	(3,485,392)	(3,485,392)
Less: Agency Admin (Non-Housing Fund)	(321,049)	(330,680)	(340,601)	(350,819)	(361,343)
Less: Narcotics/Code Enforcement	(1,055,000)	(1,086,650)	(1,119,250)	(1,152,827)	(1,187,412)
Scenario 1: SERAF					
Net Funds Available for Non-Housing Programs	(1,552,581)	838,448	1,714,299	1,888,837	2,199,907
Cumulative Funds for Non-Housing Programs	(1,552,581)	(714,133)	1,000,166	2,889,004	5,088,911
Scenario 2: no SERAF					
Net Funds Available for Non-Housing Programs	1,877,978	1,544,739	1,714,299	1,888,837	2,199,907
Cumulative Funds for Non-Housing Programs	1,877,978	3,422,717	5,137,016	7,025,854	9,225,761

Source: Conley Consulting Group, Menlo Park Community Development Agency, San Mateo County

III. HOUSING ACTIVITIES

This section describes the Housing Component of the Implementation Plan for the Las Pulgas Community Development Project Area, and summarizes the Agency's housing obligations pursuant to the legal requirements of AB 1290, AB 315, AB 637, and SB 701. These sections also provide an overall framework for the Agency's housing goals, policies, and programs.

A. Overview of Legal Requirements

The housing portion of the Implementation Plan is required to set forth specific goals and objectives for the five-year planning period, outline specific programs and expenditures planned for the five years, and explain how the stated goals, objectives, programs, and expenditures will produce affordable housing units to meet these obligations and eliminate blighting conditions. The CRL requires that an implementation plan include the following components:

- An explanation of how the goals, objectives, programs, and expenditures set forth in the Implementation Plan will implement the housing requirements of the CRL, including a housing program for each of the five years of the Implementation Plan.
- The total number of housing units projected to be developed, rehabilitated, price-restricted, assisted, or destroyed for three time periods: (1) on an annual basis for the next five years, (2) in aggregate over a ten-year period, and (3) in aggregate for the remaining life of the redevelopment plan.
- Identification of proposed locations for replacement housing, which the Agency would be required to produce if a planned project would result in the destruction of existing affordable housing.
- Estimates of deposits into the Housing Set-Aside Fund during the next five years, and the Agency's plans for utilizing annual deposits to the Housing Set-Aside Fund.
- A Housing Production Plan, per AB 315, and a determination as to whether housing production will meet the affordable inclusionary requirement.

B. Statutory Requirements for Housing

This section summarizes the major statutory requirements for affordable housing imposed on redevelopment agencies by the CRL and provides background information and analysis regarding affordable housing needs and conditions in the Project Area and overall community.

i. **Housing Production Requirement** – Specified minimum percentages of new or substantially rehabilitated housing units in a project area are to be made available at a specified affordable housing cost. This requirement applies to redevelopment plans which were either adopted, or which added territory by amendment, after 1976 (Section 33413).

ii. **Housing Fund Requirement** – Redevelopment agencies are required to expend specified percentages of tax increment revenue for provision of affordable housing (Section 33334.2).

iii. **Replacement Housing Requirement** – Agencies must replace, within four years, housing units removed from the housing stock as a result of redevelopment activities (Section 33413).

Of the three categories of affordable housing requirements outlined above, only (i) and (ii) will likely apply to the Menlo Park Community Development Agency, as the Agency does not anticipate that any of the proposed programs in this Implementation Plan would require the removal and/or relocation of households in the Project Area.

1. Housing Production Requirement

Redevelopment agencies administering project areas created by redevelopment plans adopted on or after January 1, 1976 and territory added to project areas by amendments adopted on or after January 1, 1976 must meet an affordable housing inclusionary production obligation.

a. Agency Developed Housing

The CRL inclusionary housing obligation requires that at least 30 percent of all new or substantially rehabilitated dwelling units developed directly by an agency be made available at an affordable housing cost to persons and families of very low-, low-, or moderate-income. Of those units, at least 50 percent must be affordable to very low-income households. The 50 percent requirement translates to 15 percent of the total number of units developed or rehabilitated by the agency (50% of 30% equals 15% overall). This requirement applies only to units developed by an agency and does not apply to units developed by housing developers pursuant to agreements with an agency. This production requirement is not anticipated to apply to the Project Area during the five-year period of this Implementation Plan.

b. Housing Not Developed by the Agency

When dwellings units are newly developed or substantially rehabilitated in a project area by public or private entities other than a redevelopment agency, including entities receiving agency assistance, at least 15 percent of these units must be affordable to very low-, low-, or moderate-income households. Of those units, at least 40 percent must be affordable to very low income households. This 40 percent requirement for very low income households translates to six percent of the total number of units developed and substantially rehabilitated by entities other than a redevelopment agency in a project area (40% of 15% equals 6% overall). It is anticipated that this production requirement will apply to the Project Area during the five-year period of this Implementation Plan.

c. Housing Developed Outside a Project Area

The Redevelopment Reform Act of 1993 (AB 1290) added a provision to the CRL permitting redevelopment agencies to satisfy their inclusionary housing production obligation by developing units outside of its project areas, but only on a two-for-one basis. In other words, for every two affordable units developed outside of a project area, the agency would receive credit for one inclusionary unit.

d. Housing Production through Affordability Covenants

Agencies may satisfy their inclusionary housing production obligation by purchasing or acquiring long-term affordability covenants on existing multifamily units that are not presently affordable to low- and moderate-income households or on currently affordable multifamily units that are not expected to remain affordable. This method cannot be used to satisfy more than 50 percent of the units required to be affordable and not less than 50 percent must be affordable to very low-income households.

e. Housing Production Plan

Beginning in 1994, redevelopment agencies have been required to develop and adopt an affordable housing production plan every ten years (AB 315 Plan). The AB 315 Plan sets forth housing production requirements to be met over a ten-year compliance period, and must estimate production for the following time periods: (1) production over the initial five years of the ten-year compliance period, (2) production over the entire ten-year compliance period, and (3) production through the life of the plan.

Typically, for redevelopment plans adopted pre-1994, the first ten-year compliance period spanned the years between January 1, 1994 and December 31, 2003 (the "1994-2004" period). This implementation plan includes the AB 315 Plan that spans the second ten-year compliance period, between January 1, 2004 and December 31, 2013 (the "2004-2014" period).

2. Housing Fund Requirement

The CRL requires an agency to set aside in a separate Low and Moderate Income Housing Fund ("Housing Fund") at least 20 percent of all tax increment revenue generated from its project areas. The funds must be used for the purpose of increasing, improving, and preserving the community's supply of affordable housing. Such housing must be available at a cost affordable to persons and families of very low-, low-, or moderate-incomes.

a. Targeting Housing Funds by Income Levels

Under the CRL, Housing Fund monies must be targeted to specific income levels. Agencies are specifically required to expend their Housing Funds to assist very low-, low-, and moderate-income households, generally defined as:

Very Low	Incomes up to 50 percent of area median income (AMI), adjusted for family size.
Low	Incomes from 50 percent up to 80 percent AMI, adjusted for family size.
Moderate	Incomes from 80 percent up to 120 percent AMI, adjusted for family size.

The table below shows the income limits for each income level by household size, adopted in 2009 by the State of California (Department of Housing and Community Development (HCD)) derived from income limits established by the U.S. Department of Housing and Urban Development (HUD).

	Maximum Income Limits by Household Size							
Income Level	1	2	3	4	5	6	7	8
Very Low	$39,600	$45,250	$50,900	$56,550	$61,050	$65,600	$70,100	$74,650
Low	$63,350	$72,400	$81,450	$90,500	$97,700	$104,950	$112,200	$119,450
Median	$66,500	$77,450	$87,100	$96,800	$104,550	$112,300	$120,050	$127,800
Moderate	$79,800	$92,900	$104,550	$116,150	$125,450	$134,750	$144,050	$153,300

Source: California Department of Housing and Community Development, 2009

b. Targeting Housing Funds According to Need

Through requirements that became effective in January 2002, the Agency must target its Housing Fund expenditures to produce units affordable to very low-, low-, and moderate-income households in at least the same proportion to the community's unmet need, using the regional fair share allocation as a benchmark to satisfy this requirement. This benchmark establishes Housing Fund targeting requirements that must be met over a ten-year compliance period. This ten-year "targeting compliance period" used to allocate Housing Fund expenditures is distinct from the ten-year "production compliance period" in the AB 315 Plan used to guide the production of affordable housing. However, CRL legislation encourages agencies to synchronize these two ten-year compliance periods. Thus for redevelopment plans adopted pre-1994, the initial "ten-year" compliance period for Housing Fund targeting will actually cover 12 years, from January 1, 2002 and ending December 31, 2013. Consequently, for agencies administering pre-1994 plans, every subsequent ten-year period will involve implementation requirements for both Housing Fund targeting and project area housing production.

Based on ABAG's "Fair Share" Regional Housing Needs Determination, the table below indicates that at a minimum, the Agency must target at least 39% of its Housing Fund monies to the production of very low-income units and at least 28% to low-income units, a combined total of 67% of its Housing Fund monies.

Targeting Requirements by Income Level		
Income Level	**Total Housing Units Needed**	**Percent**
Very Low (50% AMI and below)	226	39%
Low (50-80% AMI)	163	28%
Moderate (80-120% AMI)	192	33%
Total Low-Moderate Need	**581**	**100%**

Source: ABAG "Fair Share" Regional Housing Needs Determination 2007-2014

Recent law now requires that redevelopment agencies assist housing for persons regardless of age in at least the same proportion that the community's population under age 65 bears to the total population of the community. The table below describes the City of Menlo Park's estimated 2009 population:

Targeting Requirements by Age Group		
Population - City of Menlo Park		
Age Group	**Number**	**Percent**
Under 65 years	25,722	83.85%
65+ years	4,953	16.15%
Total	**30,675**	**100.00%**

Source: Claritas, Inc.

The table indicates that the Housing Fund money invested in senior housing should not exceed 16 percent of the total Housing Fund expenditures during the targeting compliance period. The law establishes a maximum allocation of funds according to a population's age distribution but does not, however, establish a minimum allocation of funds in this manner.

Housing assisted by Housing Fund monies must be available to low- and moderate-income families at an affordable housing cost in accordance with the CRL. For housing assisted by Housing Funds after January 1, 1991, the following affordable housing cost definitions apply:

CRL Affordable Housing Cost Definitions				
	Rental Housing		**Ownership Housing**	
Income Level	**% Income Spent on Housing**	**% of Area Median Income**	**% Income Spent on Housing**	**% of Area Median Income**
Very Low	30%	50%	30%	50%
Low	30%	60%	30%	70%
Moderate	30%	110%	35%	110%

Source: California Health and Safety Code, Section 50052.5

c. Duration of Affordability

The CRL requires that affordability covenants be recorded with respect to Housing Fund-assisted new and substantially rehabilitated housing units, replacement housing units, and project area production housing units. These affordability covenants must remain in effect for a minimum duration of 55 years for rental units and 45 years for owner-occupied units.

3. Replacement Housing Requirement

The Replacement Housing Requirement applies to project areas established by redevelopment plans (or areas added by amendments) adopted on or after January 1, 1976, and merged project areas regardless of the date of establishment of the individual project areas subsequently merged.

When residential units sheltering households earning at or below 120 percent of median income are destroyed or removed, or are no longer affordable due to agency action, an agency must replace within four years those units with an equal number of replacement units which have an equal or greater number of bedrooms. At least 30 days prior to acquiring property or adopting an agreement that will lead to the destruction or removal of low- and moderate-income housing units, an agency must adopt by resolution a replacement housing plan that generally describes the location, timing, and method by which replacement housing will be provided.

Replacement units may be located anywhere within the territorial jurisdiction of the agency. An agency may either construct replacement housing, or cause housing to be constructed through agreements with housing developers.

The basic income and affordability standards for replacement housing are the same as those for use of Housing Fund monies (described above). The units must be available to low- and moderate-income households. In addition, for dwelling units destroyed or removed after September 1, 1989, the CRL requires that 75 percent of the replacement units be available at affordable housing cost to the same income level of households (very low-, low-, or moderate-income) as were displaced from the units removed or destroyed.

Replacement housing must remain affordable for a minimum duration of 55 years for rental units and 45 years for owner-occupied units. The affordability controls on such units must be made enforceable by recorded covenants or restrictions.

The Agency does not anticipate that any of the proposed programs in this Implementation Plan would require the removal and/or relocation of households in the Project Area. However, if future redevelopment programs were to require relocation, the Agency would make every effort to minimize the extent of relocation in the affected Project Area. Further, all affected households and businesses would be eligible for the Agency's relocation program.

C. Ten-Year Housing Production Plan

In satisfying the requirements of the AB 315 plan, this section will demonstrate how the Menlo Park Community Development Agency has met or will meet its housing production obligations established over the following time periods: (1) the historical life of the redevelopment plan, (2) the ten-year "2004-2014" production compliance period (further segmented into the first and second five-year periods), and (3) production over the life of the redevelopment plan.

As required by the CRL, this document includes estimates of the number of new or substantially rehabilitated residential units within a project area and the number of affordable housing units which will be developed in order to meet the requirements of the CRL. It is assumed that all of the housing units produced will be developed by entities other than the Agency.

1. Housing Production

a. Historical Production (through 2008)

Table 5 shows that, historically within the Project Area, 113 new housing units had been constructed and 226 housing units had been substantially rehabilitated, for a total of 339 housing units that trigger redevelopment inclusionary obligations. Table 6 reports that over the historical life of the Project Area, the Agency has been obligated to produce 22 units affordable to very low-income households and a total of 52 units affordable to very low-, low-, and moderate-income households. Actual production exceeded these obligations, with 25 units affordable to very low-income households and a total of 184 units affordable to very low-, low-, and moderate-income households, including a credit of 11 units for housing produced outside of the Project Area. Thus, the Agency has surpassed its total historical inclusionary housing obligation by 143 units, and its historical very low-income obligation by three units.

b. Ten-Year Production (2009 through 2019)

Over the next ten years, it is anticipated that a substantial amount of new housing will be constructed and substantially rehabilitated. Table 7 lists the housing developments that are currently in the development pipeline and likely to be completed between years 2009 and 2019. The table indicates that during the first five years of the production compliance period, the Agency projects that 70 new housing units could be constructed in the Project Area. During the second five years of the production compliance period, the Agency projects that 15 new housing units could be constructed in the Project Area.

The Agency assumes, based on recent trends, that an average of two units per year will be substantially rehabilitated in the Project Area over the next ten years. Thus, the Agency anticipates that 20 units will be substantially rehabilitated during the ten-year compliance period.

In all, the Agency projects that a total of 105 units could be newly constructed or substantially rehabilitated in the Project Area between the years 2009 and 2019.

c. Production Over the Life of Community Development Plan

The Agency has evaluated the prospects for future housing unit production in the Project Area through the life of the redevelopment plan. Based on the Agency's analysis of the potential for new development on remaining developable land, the Agency anticipates that 11 new housing units could be constructed in the Project Area between the years 2019 and 2021. Additionally, following the trends, the Agency assumes that an average of two units per year will be substantially rehabilitated in the Project Area through the life of the Project Area. This would produce six substantially rehabilitated units. In total, the Agency anticipates that 17 housing units could be newly constructed or substantially rehabilitated for the remainder of the life of the Project Area.

2. Affordable Housing Production Obligation

Table 6 indicates that, during the ten-year production compliance period between 2009 and 2019, the Agency is projected to have an obligation to ensure that a total of 16 new affordable units are developed. Of these, seven units must be made affordable to very low-income households.

According to the provisions of the CRL, agencies are allowed to count excess units historically produced towards future housing production obligations in subsequent years. Currently, the Agency has exceeded its affordable housing production by a total of 143 units, three of which are counted as excess very low-income units. Given the Agency's excess of very low-income units, and factoring in the projected obligation to produce seven very low-income units over the next ten years, the Agency's net production requirement is anticipated to be at least four very low-income units during the 2004-2014 compliance period. For all other required income-levels, the Agency's overall 143-unit excess will cover its production requirements.

The projected number of units to be newly constructed or substantially rehabilitated between 2019 and the end of the life of the Project Area trigger an obligation to produce three affordable units, of which two units must be affordable to very low-income households. Over the life of the redevelopment plan, the Agency's overall excess units will cover the total very low-, low-, and moderate-income obligations.

3. Plan to Satisfy Obligations

The Agency is currently assisting, with either financial and/or administrative support, two proposed housing projects that are projected to be completed within the timeframe of this Implementation Plan. These two projects include the production of 29 newly constructed affordable housing units with 70 units overall (see Table 7). Of these 29 affordable units, 22 units are planned to be made affordable to very low-income households. As planning continues, the exact unit count is subject to change. The successful completion of these developments would not only satisfy the Agency's production requirements over the 2009-2019 compliance period, it would provide enough excess affordable production to satisfy all production requirements through the life of the redevelopment plan.

TABLE 5
HOUSING PRODUCTION SUMMARY
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	Projected Housing Production			Actual Housing Production		
	Total Units Produced In Project Area			**Total Units Produced In Project Area**		
Historical	**New**	**Substantially Rehabilitated**	**Total**	**New**	**Substantially Rehabilitated**	**Total**
Historical to 1994	23	182	205	23	182	205
1994 - 1999	27	32	59	28	25	53
1999 - 2004	1	9	10	1	9	10
2004 - 2009	83	14	97	61	10	71
Subtotal Historical	**134**	**237**	**371**	**113**	**226**	**339**
Projected						
2009 - 2014	70	10	80	----	----	----
2014-2019	15	10	25	----	----	----
2019 - End	11	6	17	----	----	----
Total Projected	**96**	**26**	**122**	**----**	**----**	**----**

Source: Conley Consulting Group, Menlo Park Community Development Agency

TABLE 6
AFFORDABLE HOUSING PRODUCTION
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

Historical	**Total Unit Production**	**Affordable Obligation**		**Affordable Production**			**Surplus/(Deficit) Production**	
		Very Low	**V. Low, Low & Mod.**	**Very Low**	**V. Low, Low & Mod.**	**Outside Area**	**Very Low**	**V. Low, Low & Mod.**
Historical to 1994	205	12	31	21	157	10	9	136
1994 - 1999	53	4	8	4	4	0	0	(4)
1999 - 2004	10	1	2	0	0	1	(1)	(1)
2004 - 2009	71	5	11	0	23	0	(5)	12
Subtotal Historical	**339**	**22**	**52**	**25**	**184**	**11**	**3**	**143**
Projected								
2009 - 2014	80	5	12	25	29	0	20	17
2014 - 2019	25	2	4	1	2	0	(1)	(2)
Subtotal 10-Year Period	**105**	**7**	**16**	**26**	**31**	**0**	**19**	**15**
2014 - End	17	2	3	2	3	0	0	0
Subtotal Projected	**168**	**12**	**26**	**27**	**55**	**0**	**15**	**29**
Total	**507**	**34**	**78**	**52**	**239**	**11**	**18**	**172**

Source: Conley Consulting Group, Menlo Park Community Development Agency

TABLE 7
PROJECTED HOUSING PRODUCTION - FY 09/10 to FY 13/14
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

#	Project	Projected Completion Date	Type of Project	Total Units	Affordable Production V.Low	Affordable Production V. Low, Low, & Mod	Comments
1	Habitat for Humanity / Terminal Ave	FY 12/13	New Constr.	22	22	22	per development plan, subject to change given community input
2	Hamilton Avenue East	FY 13/14	New Constr.	48	3	7	affordables based on inclusionary requirements & R3 densitiy @ 18.5 units per acre
3	Pierce Road Abandonment	6+ yrs	New Constr.	15	1	2	affordables based on inclusionary requirements & R3 densitiy @ 18.5 units per acre
	TOTAL 2009-2014			**70**	**25**	**29**	
	TOTAL 2014-2019			**15**	**1**	**2**	

Source: Conley Consulting Group, Menlo Park Community Development Agency

D. Housing Set-Aside Fund Revenues

According to the CRL, the Agency is required to include in its Implementation Plan a report on the amount available in the Affordable Housing Fund and estimates of deposits into the Housing Set-Aside (HSA) Fund during the next five years.

At the beginning of FY 2009/10, the HSA Fund had a positive cash balance of $1.7 million.

The table below shows the estimated amount of funds to be deposited into the Housing Fund in the next five years. The source of funds during this period will be (1) the 20% Housing Set-Aside allocation of annual tax increment revenues, projected to be $11.97 million (avg. $2.77 million per year), and (2) other income such as interest, charges for services, projected to be $1.88 million (avg. $376,000 per year).

Annual Housing Fund Revenue	
Fiscal Year	**Revenue**
2009/10	$2,682,210
2010/11	$2,628,565
2011/12	$2,714,116
2012/13	$2,854,554
2013/14	$2,946,884
Total	**$13,826,330**

Source: Menlo Park Community Development Agency

E. Agency Annual Housing Production Goals and Expenditures

Over the next five years, the Agency will expend its housing funds guided by the following goals and activities:

1. Affordable Housing Goals and Priorities

1. **New Construction** – The Agency will assist the development of new affordable housing primarily with land write-downs and development subsidies. The affordability of housing units is insured through deed restrictions, providing that affordable units be offered to income-qualified households for sufficient duration to satisfy the requirements of the CRL.

2. **Home Improvement/Rehabilitation Loans** – Housing rehabilitation projects not only are a means of providing decent and safe affordable housing, but also can help to stabilize and improve neighborhoods and stimulate other property owners to invest in the maintenance and improvement of their properties. Through this program, the Agency offers assistance to qualified very low-, low-, and moderate-income homeowners to make needed substantial and non-substantial repairs and bring their homes up to current code standards.

3. **Mortgage Assistance** – This program directly addresses the difficulties presented by the Peninsula's steep home prices and high cost of living, making it extremely difficult, if not impossible, for critical workers in the Menlo Park community (e.g. teachers, police, firefighters, and other public service workers) to afford to live where they work.

2. Proposed Housing Activities

Table 8 shows the Agency's proposed housing programs included in its expenditure plan for the next five years according to the established community development program areas.

a. Program Descriptions

Under the Agency's Planning and Code Enforcement program, planning studies will focus on establishing a sound framework to guide decision-making on remaining development and/or revitalization opportunities in the Project Area, in particular improving housing/neighborhood conditions.

The Agency's Real Estate Development and Improvement efforts will concentrate on two significant housing developments and ongoing focus on housing rehabilitation, maintenance, and facilitating the sale of below market rate units. The Habitat Terminal Avenue Housing project will add 22 very low-income housing units to the Project Area. The Hamilton Avenue East project will add seven affordable units, of which three will be affordable to very low-income households. Both of these efforts will play a crucial role in satisfying the Agency's high benchmark placed on affordable housing production in the Project Area. Further resources will be devoted to both non-substantial and substantial housing rehabilitation loans, paying for commissions and closing costs of affordable housing sales, and general maintenance of properties that need aesthetic improvements.

The Agency's Miscellaneous Projects will primarily focus on providing services to assist income-qualified households/residents that have special needs in obtaining suitable housing.

b. Annual Housing Production Plan: FY 2009/10 to FY 2013/14

As indicated in Table 8 and detailed below, the Agency plans to assist in the production of 61 housing units affordable to very low-, low-, and moderate-income households over the next five years.

Annual Housing Production Plan – Las Pulgas Community Development Area

	Number of Units						
Housing Project/Assistance	**FY 09/10**	**FY 10/11**	**FY 11/12**	**FY 12/13**	**FY 13/14**	**Total**	**Affordability**
Habitat Terminal Ave Housing	0	0	0	22*	0	22*	Very Low
Hamilton Avenue East	0	0	0	0	7*	7*	Mod, Low & V. Low
Housing Rehab Loans	10	2	2	2	2	18	Very Low
Sale of BMR Units	4	4	2	2	2	14	Moderate
Maintenance of Property	----	----	----	----	----	----	----
Subtotal	**14**	**6**	**4**	**26**	**11**	**61**	

* Final numbers are subject to the planning process and community input.

Source: Menlo Park Community Development Agency

3. Housing Set-Aside Fund Expenditures

a. Previous HSA Expenditures, FY 2004/05 – FY 2008/09

The table below shows how HSA Funds were spent in the previous five-year period. The Agency spent roughly $2.9 million on its housing programs, assisting in the planning of affordable housing projects, the upgrade of 14 existing units with non-substantial rehabilitation loans reserved for very low-income households, and paying for the costs associated with the sale of three affordable units.

Historical Housing Fund Expenditures, FY 1999/00 to FY 2003/04				
	Total	No. of Units Assisted	Affordability	Housing Type
Planning / Admin Costs	2,533,582	---	----	----
Property Acquisition	241,655	10	Very Low	Family, Sr.
Subsidies	31,287	4	Very Low	Family
Other	154,000	3	Moderate	Family, Sr.
Total	**$2,960,524**	**17**		

Source: Menlo Park Community Development Agency

b. Estimated HSA Expenditures, FY 2009/10 – FY 2013/14

The table below shows that the over the next five years, the Agency plans to target 74 percent of its Housing Fund expenditures on programs that can be directly attributable to affordable housing production. With direct assistance to the Habitat Terminal Avenue Housing project, Hamilton Avenue East project, and the funds devoted to non-substantial housing rehabilitation, the Agency plans to target roughly 69 percent of its Housing Fund expenditures to the production of housing units affordable to very low- and low-income households. This satisfies the targeting requirements established by the ABAG Regional Fair Share Needs Determination, which establishes that at least 67 percent of Housing Fund expenditures must be targeted to very low- and low-income households.

Projected Housing Fund Expenditures, FY 2009/10 to FY 2013/14			
Housing Assistance Projects	**Expenditure**	**% of Funds**	**Affordability**
Habitat Terminal Ave Housing	1,000,000	32.70%	Very Low
Hamilton Avenue East	200,000	6.54%	Mod, Low, V. Low
Housing Rehab Loans	900,000	29.43%	Very Low
Sale of BMR Units	112,000	3.66%	Moderate
Maintenance of Acquired Property	40,000	1.31%	TBD
Subtotal	**$2,252,000**	**73.64%**	

Source: Menlo Park Community Development Agency

The Agency will likely target some funds allocated to its Housing Rehabilitation Loan program to senior households. However, in order to satisfy the targeting requirement that no more than 16 percent of HSA Funds can be spent on senior housing, the Agency will limit the amount of funds provided to senior households to $360,000, or roughly 16 percent of planned HSA expenditures.

TABLE 8
PROPOSED EXPENDITURE PLAN FOR AFFORDABLE HOUSING FUND
LAS PULGAS FIVE-YEAR IMPLEMENTATION PLAN
MENLO PARK COMMUNITY DEVELOPMENT AGENCY

	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	Total	No. of Units Assisted
I. AGENCY ADMIN - HOUSING	**566,587**	**583,585**	**601,092**	**619,125**	**637,699**	**3,008,087**	N/A
II. DEBT SERVICE	**881,574**	**881,574**	**881,574**	**881,574**	**881,574**	**4,407,870**	N/A
Subtotal - Expenses Before Housing Programs	**$1,448,161**	**$1,465,159**	**$1,482,666**	**$1,500,699**	**$1,519,273**	**$7,415,957**	
Projected Housing Fund Revenues	*$2,682,210*	*$2,628,565*	*$2,714,116*	*$2,802,233*	*$2,945,315*	*$13,772,439*	
Expenses Before Housing Programs	*($1,448,161)*	*($1,465,159)*	*($1,482,666)*	*($1,500,699)*	*($1,519,273)*	*($7,415,957)*	
Funds Available for Housing Programs	*$1,234,049*	*$1,163,407*	*$1,231,450*	*$1,301,534*	*$1,426,042*	*$6,356,482*	
III. PROPOSED HOUSING PROGRAMS							
Real Estate Development & Improvements							
Habitat Terminal Ave Housing	0	500,000	500,000	0	0	1,000,000	22
Hamilton Avenue East	0	0	0	200,000	0	200,000	7
Housing Rehab Loans	500,000	100,000	100,000	100,000	100,000	900,000	18
Sale of BMR Units	32,000	32,000	16,000	16,000	16,000	112,000	14
Maintenance of Acquired Property	8,000	8,000	8,000	8,000	8,000	40,000	TBD
Subtotal	**540,000**	**640,000**	**624,000**	**324,000**	**124,000**	**2,252,000**	**61**
Miscellaneous							
HIP/CID/MCFH	46,250	46,250	46,250	46,250	46,250	231,250	N/A
Subtotal	**46,250**	**46,250**	**46,250**	**46,250**	**46,250**	**231,250**	
Subtotal Housing Programs	**$586,250**	**$686,250**	**$670,250**	**$370,250**	**$170,250**	**$2,483,250**	**61**
Annual Housing Revenue Surplus / (Deficit) ***(1)***	*$647,799*	*$477,157*	*$561,200*	*$931,284*	*$1,255,792*	*$3,873,232*	
IV. TOTAL HOUSING EXPENDITURES	**$2,034,411**	**$2,151,409**	**$2,152,916**	**$1,870,949**	**$1,689,523**	**$9,899,207**	

Source: Conley Consulting Group, Menlo Park Community Development Agency

1. Any deficit of annual housing revenue will be supplemented in the form of a loan made by cash reserves from the Non-Housing Fund.
   Any surplus in annual housing revenue in subsequent years will be used to repay funds lent from the Non-Housing Fund.