

Lompoc City Council

Lompoc Redevelopment Agency

Agenda Item



Meeting Date: December 16, 2008

TO: Gary P. Keefe, City Administrator/Executive Director

FROM: Linda R. Wertman, Redevelopment Program Coordinator
e-mail: l_wertman@ci.lompoc.ca.us

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

RECOMMENDATION:

Council Action:

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

Board Action:

Staff recommends the Redevelopment Agency Board accept the attached Annual Report of Financial Transactions, Annual Audit, and Annual Report of Housing Activity, and authorize staff to submit said documents to the State Controller and the Department of Housing and Community Development.

BACKGROUND:

The California Redevelopment Law (CRL) requires all redevelopment agencies to file, within six months following the close of the previous fiscal year, an annual report and financial audit with the State Controller, and an annual report with the Department of Housing and Community Development. Fiscal Year 2007-2008 (FY07-08) closed June 30, 2008; therefore, our annual report and audit must be filed before December 31, 2008.

Section 33080 of the California Redevelopment Law requires an annual report and financial audit of the Agency's activities for the previous fiscal year be presented to the Agency's legislative body (the City Council) and to the State Controller within six months of the close of the previous fiscal year.

The annual report documents the activities and transactions of the Redevelopment Agency, especially those related to the production and rehabilitation of affordable housing. The annual financial audit documents the Agency's financial transactions.

DISCUSSION:

Fiscal Year 2007-2008 focused on affordable housing projects, monitoring existing properties, improving current monitoring procedures, and the administration and delivery of programs and projects outlined in the FY07-08 Redevelopment Budget. Project activities this year included: completion of the design portion of the downtown Pocket Park and submittal to plan check; completion of the design of the Art Alley lighting project; reroof of the historic downtown Museum; and the purchase a high-powered power washer to aid in the removal of graffiti within the Project Area.

There was only a slight increase in the Agency's tax increment this year due to the downturn in residential and commercial property sales and assessments. The Agency anticipates tax increment to decrease in FY08-09 given the current real estate market and economic downturn. Additionally, the Agency expects the State to request fund transfers from Redevelopment and the City over the next several years to backfill its declining revenue stream.

Representative of the economic downturn, only a single commercial project was completed within the project area this year, which was the Lompoc Cammex's Steel Warehouse building located at 319-329 North F Street. Outside the project area, newly constructed commercial buildings included: Shephard Eye Center, Community Bank of Santa Maria, and a 30,030 square foot building that will be used by Loring/Pali Winery. In addition to the completed commercial projects, several commercial projects currently in construction or completed since July 2008 within the Redevelopment Area are: The Crown Laurel Industrial Condominium Building, Lompoc Hospital, and Yanez Electric.

Residential properties completed within the project area in FY07-08 include: three units at 112 North K Street, and one unit at 113 South M Street, which were not assisted by the Agency. Substantial rehabilitation properties completed with the project area in FY07-08 included: 13 units in a multifamily project which was assisted by the Agency. This project utilized the CalHFA Help Loan funding through the Agency, and is outlined under that program later in this report. Residential projects under construction or completed since July 2008 within the project area include: 35 units at G & College Avenue which also included a community center/child care facility that was completed in FY07-08, eight units at 521 West Ocean, and grading is underway for 39 units at 513 North G Street. Two of these projects are being assisted by the Agency and the other affordable housing project at G & College is under an Inclusionary Covenant with the Agency.

There are many projects currently in the "pipeline"; however, these projects have been slow to proceed or have been put "on hold" until such time as the housing and commercial markets become more viable and the economic environment is more receptive. The projects will be reported in future years when and if the projects near receipt of building permits and their development are imminent. The second amendment area expansion has a development project in the pipeline

which will bring a high profile project to the redevelopment project area, should the project go forward. This project proposes a hotel and spa along with wine tasting and storage facility. If this project is able to proceed it should bring a dramatic increase to the tax increment for the second amendment area and provide an attractive entry to the City.

CalHFA HELP Loan

In February of 2008, the Agency funded a construction loan for a 39 unit Single Room Occupancy (SRO) project known as Homebase on G Street (previously known as Transitions). There are four City/Agency controlled funding sources in this project, one of which funded \$800,000 from the Agency's first California Housing Finance Agency (CalHFA) Help Program (10-year loan of \$1,000,000). These funds have been recycled numerous times and have far exceeded the initial goals of the loan at the onset. This new construction in-fill project has additionally been funded with City HOME funds, Redevelopment Set-Aside funds, and Housing Trust Fund monies, administered to date by Agency staff. Accomplishment data will be submitted on this project at completion, which is scheduled for late 2009.

Lompoc Housing and Community Development Corporation (LHCDC) completed the Portobello Apartment rehabilitation in FY07-08. This project was one of the first projects approved utilizing the CalHFA Help Loan funds. The Agency funded this loan in November of 2000. This apartment complex was in such a dilapidated state when LHCDC purchased this property mushrooms were growing out of several of the walls in the units, thus the name of the apartment complex. The rehabilitation of this complex was originally expected to take one year but given the extremely dilapidated and blighted condition of the units, health and safety issues were addressed first to make the units safe for existing tenants. This additional work and financial outlay caused major delays in the rehabilitation work and financing of these units. Agency staff completed the final inspection on the rehabilitation of the project on October 5, 2007. Although this project when purchased consisted of 14 units, after the rehabilitation was completed the unit count was reduced to 13 units, due to the substandard size of one of the units. Agency staff has been unable to complete the initial certification of incoming tenants for this project. The Agency has only received documentation for three of the thirteen units. One tenant was certified eligible; the other two tenants needed rent reductions. The Agency has made several requests for the remaining submittals and rent reduction verification with no response from LHCDC on this issue. The 2007 Annual Report documentation was received November 24, 2008 and indicates all thirteen units are occupied. Agency staff will continue their attempts to bring this project into compliance.

Housing Rehabilitation projects completed in FY07-08:

Portobello Apartments
305 – 309 North "K" Street

13 units

SET ASIDE LOANS

Two affordable housing projects received assistance from the Agency in FY07-08. The Crown Laurel housing project received \$285,000 to assist 11 inclusionary single-family housing units utilizing the Agency's Affordable Housing Incentive Loan Funds. The Homebase on G Street project received \$250,000 to assist 19 SRO units. These units will be reported in detail upon completion. The Agency may be forced to de-obligate two approved loans totaling \$510,000 for an LHCDC project known as the T Street Condominiums, that have failed to start construction over the last several years. De-obligation will allow the Agency to fund other housing projects that are able to move forward and produce units at this time. LHCDC staff has indicated that this project is on hold and will not be going forward until such time as the real estate market rebounds. If the Agency continues to carryover these approved loans that have not had loan documents executed for another year we may be in jeopardy of reaching a level of excess surplus. The combination of the \$510,000 in approved unexecuted loan funds, along with FY07-08 and FY08-09 unexpended housing funds may put the Agency at the excess surplus carryover level. Excess surplus occurs when Redevelopment Set-Aside funds reach a level of \$1,000,000 being carried over without funds contractually obligated (executed loan documents). The result of excess surplus will trigger the need for the Agency to submit a disbursement plan to HCD with the Annual Report and will initiate a two year time period in which these funds must be expended. Failure to expend the funds will result in funds being transferred to the Housing Authority and these funds will no longer be available for Redevelopment housing projects. Housing development projects have slowed in the current housing market, and the Agency must have the ability to fund projects. Agency staff will begin working with LHCDC to address this matter.

INCLUSIONARY COVENANTS

The Agency received Inclusionary Covenants on 17 new affordable units, which are currently under construction. Additionally, the Agency Board approved an amendment to an existing Inclusionary Covenant for LHCDC's 35-unit affordable housing project located at G & College Avenue. The Covenant amendment changed the affordability level of the units from 12 units at 30% Area Median Income (AMI), 3 units at 40% AMI, 10 units at 50% AMI, and 9 units at 60% AMI to 15 units at Very Low-Income, 10 units at Lower-Income and 9 units at Moderate-Income.

The Agency currently has several Inclusionary projects that have been approved; however, the proposed Covenants on these properties are pending and will not be executed by property owners until the projects move forward with development. These projects include: 11 units with the Olsen Company's two projects on West Ocean Avenue, five units with Jon Martin's Chestnut Crossing project located on H and Chestnut and North G Street, and 47 affordable units at the River Terrace project on East Laurel and 12th Street.

Crown Laurel:

The Agency was able to secure an Affordability Covenant on 11 single-family for sale units to satisfy the affordability requirements of a new 73-unit single-family development known as Crown Laurel located at West Laurel Avenue and V Street. The 11 restricted units must be sold at a price affordable to Very Low-, Low-, and Moderate-Income households. The affordability covenant restricts the sale of these units to four units at Very Low-, four units at Low-, and three units at Moderate-Income households.

Homebase on G Street:

The Agency recorded an Affordability Covenant on six units of an affordable housing project, which consists of 39 SRO units with a commercial building that will provide onsite services to tenants. These units satisfy the affordability requirements of the development known as Homebase on G Street, previously known as Transitions located at 513-519 North G Street. The six restricted units must be occupied and affordable to three Very Low-, and three Lower-Income households.

BUSINESS LOANS

Commercial Façade Improvement Program:

The Agency approved a Façade Loan for Alfie's Fish and Chips Restaurant located at 1036 North H Street in the amount of \$25,000. The Agency assistance allowed the owners to complete façade improvements to the exterior of their building, sign replacement and landscaping around the restaurant.

Façade Projects Completed in FY07-08:

Alfie's Fish and Chips Restaurant 1 business

Commercial Rehabilitation Incentive Program:

The Agency approved a Rehabilitation Loan for Alfie's Fish and Chips Restaurant located at 1036 North H Street in the amount of \$30,000. The Agency assistance allowed the owners to complete renovation to the interior of their restaurant.

Rehabilitation Projects Completed in FY07-08:

Alfie's Fish and Chips Restaurant 1 business

Economic Development Marketing:

The Agency budgeted \$40,000 for Economic Development Advertising in FY07-08, which was allocated to Kathleen Griffith, Economic Development Manager. These funds were expended as follows:

\$18,663	Lompoc Valley Magazine-Winter 2008
\$ 9,047	Lompoc Valley Magazine- Summer 2007
\$10,178	Hemisphere's Magazine ad and photo
\$ 862	Santa Rita Hills Promotion: Wine & Fire event ad and posters
\$ 650	Self Employment Training Course Advertising Lompoc Record
<u>\$ 600</u>	Discover Lompoc TAP TV Program - Library Centennial episode
\$40,000	Total Expenditures

The City's cooperative ad in United Hemispheres Magazine December 2007 issue was accompanied by a feature story on Santa Barbara County that referenced Lompoc Valley numerous times. In the first quarter 2008, which immediately followed distribution of the issue, there was a 38% increase in transient occupancy tax revenue for the City.

Through the Lompoc Valley Magazine and Santa Rita Hills Winegrowers Alliance promotional material, the City continues to promote the city as a wine destination and wine production center with Agency advertising dollars. Lompoc Urban Wineries continue to grow and expand outside of the Lompoc "Wine Ghetto." The newly completed (FY08-09) Crown Laurel Center now provides industrial condos for retail and wineries on West Laurel.

The winter 2008 issue of the Lompoc Valley Magazine, with the theme "The Happiness Quotient," won an International Economic Development Council Award of Excellence. The 2007 issue of the magazine featured "Cultural Landscapes," with photos of landmark buildings in the Redevelopment Project Area. The Discover Lompoc TAP TV program episode featured the Lompoc Library Centennial celebration.

Although the City's Self Employment Training Program has been successful in past years, there was insufficient participation to continue the course during this fiscal year.

DOWNTOWN POCKET PARK

The Agency assisted in completing the design portion of the park by working with the landscape architects, building architects, and the Urban Forestry Division. The plans were submitted to the City and are near completion of the plan check process. The Agency will work with the architectural firm to complete a Lot Combination and the project will then be turned over to the Engineering Division for the bidding process. The Agency will work closely with the Engineering Division, and Urban Forestry to accomplish construction supervision of the Downtown Pocket Park. The project is estimated to break ground in late spring 2009. Accomplishment information will be reported upon completion.

PAL PROGRAM

The Agency continued to assist the PAL Program by expending \$14,398.90 in support of the after-school computer program. The Agency additionally expended

\$8,300.48 for the salary of the PAL Program Coordinator. No funds were expended for the PAL Facility feasibility studies in FY07-08.

OLD TOWN PROJECTS:

H & Ocean Project:

The Agency processed the final draw to LHCDL for the H & Ocean feasibility study loan in the amount of \$10,089.30. This \$70,000 loan will mature in FY08-09.

Lompoc Historic Theater:

The Agency expended \$132,785.82 in loan proceeds to LHCDL for theater activities in FY07-08. Included in this disbursement was \$21,176.39 in relocation cost to the Shack, a tenant of the property that was relocated to another location within the City to aid in the rehabilitation process of the Theater. The Agency currently has loaned LHCDL \$700,000 in acquisition and predevelopment funding for this project. Additionally the Agency has expended \$15,933.92 in associated relocation cost and \$7,732.50 in associated project analysis cost.

Art Alley:

The Agency and Chamber committee chose a contractor to install the lights and accomplish associated electrical work. The contractor and the Mural Society coordinator completed the design layout of the lights in the alleyway. The Agency completed lighting selections. Since July 2008, Agency staff has processed the purchase order to authorize the light order and has currently received the light shipment. Staff is currently awaiting the property owner's signatures of the Release of Liability waiver so installation of the lights can commence in December 2008.

HISTORIC PRESERVATION & RESTORATION

The Agency expended \$91,573.75 to reroof the Lompoc Museum. This is part of the Phase I of the restoration of the Lompoc Museum. The Agency hopes to continue to support the restoration efforts over the next several years.

PROPERTY OWNED BY AGENCY:

The Agency and City staff was contacted by two hotel developers who were interested in purchasing the parking lot properties located in the Old Town area for hotel development. The Agency ordered an Appraisal of the lots that was completed at the end of July 2008 (FY08-09). Unfortunately the hotel developers have chosen to not pursue the purchase at this time. This Annual Report is required to identify properties the Redevelopment Agency holds, and the purpose for its ownership of these properties. As of the date of this report, the Redevelopment Agency owns the following properties:

<u>APN</u>	<u>Location</u>	<u>Purpose</u>
091-103-02	200 Bl. W. Ocean	Public Parking
091-103-03	200 Bl. W. Ocean	Public Parking
091-103-04	200 Bl. W. Ocean	Public Parking
091-103-05	200 Bl. W. Ocean	Public Parking
091-103-08	100 Bl. S. "I" Street	Public Parking
091-103-09	200 Bl. W. Cypress	Public Parking
091-103-10	200 Bl. W. Cypress	Public Parking
091-103-11	200 Bl. S. "J" Street	Public Parking
091-103-12	100 Bl. S. "J" Street	Public Parking
091-103-20	200 Bl. W. Ocean	Public Parking

CONCLUSION:

In previous years the Agency has focused on assisting housing projects with acquisition and rehabilitation funds. In this fiscal year we continued to perfect procedures to track and monitor Agency Covenants, and worked diligently to provide property owners information regarding compliance to the affordability requirements of Agency Covenants. The Agency continues to work towards 100% compliance of its Covenants by setting deadlines in which findings must be resolved. It may become necessary at some point, to penalize property owners to persuade them to adhere to these Affordability Covenants if compliance cannot be achieved.

A few of the Agency's housing projects will begin construction in FY08-09. The onset of many of these projects has been slow, due to the volatile financial market and downturn in the economic environment. Some of the approved projects may not go forward until the market conditions improve.

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

Agency staff wishes to thank the Board for their guidance and support throughout the last several years. Your commitment to the community and to Agency efforts to improve the Project Area and the City of Lompoc has been appreciated. We would also like to recognize the invaluable efforts that John Walk has made over his long-standing career with the City of Lompoc and as the Agency's Chief Financial Officer. His strong guidance and historic financial knowledge will be missed for many years to come, we wish him well in all his retirement endeavors. The Agency staff would like to take this opportunity to thank Gary Keefe for his assistance and support of the Agency over the last several years, and wish him well on his impending retirement. We would also like to acknowledge Laurel Barcelona's assistance this year and as she takes over the duties of Executive Director of the Agency in January 2009. Agency staff would like to express their confidence in her to direct the Agency towards the enhancement of the project area by utilizing the valuable financial tools redevelopment provides. A special thanks to Natalie Skarda the Agency's newly hired Housing Programs Technician whose tireless efforts have much improved the Agency's ability to track and monitor projects.

We continue to look forward to making a significant impact in our community and downtown area in the upcoming years. We will continue to serve the Lompoc residents with programs and projects that will encourage businesses and property owners in the project area to invest in their properties thereby encouraging new development, job creation, and affordable housing opportunities which will assist in the Agency's primary objective to remove blight in the project area.

Linda R. Wertman
Redevelopment Programs Coordinator

APPROVED FOR SUBMITTAL TO THE EXECUTIVE DIRECTOR:

Arleen T. Pelster, AICP
Deputy Director

APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY BOARD:

Gary P. Keefe, Executive Director

Attch: 1) [Financial Transaction Report](#)
2) [Housing Activities Report](#)
3) [Annual Financial Audit](#)