

**Third Implementation Plan
(July 2004 – June 2009)**

for the

Southcrest Redevelopment Project

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SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

SOUTHCREST REDEVELOPMENT PROJECT

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I. INTRODUCTION

This document contains the five-year Implementation Plan for the period of July 2004 – June 2009 for the Southcrest Redevelopment Project (Project Area), administered by Southeastern Economic Development Corporation (SEDC). The Implementation Plan is being prepared and adopted in accordance with State Health and Safety Code Section 33490 and related sections. These sections outline the purpose and requirements of the Implementation Plan as follows:

- Agencies were required to adopt their first five-year Plan(s) for existing Project Areas by December 1994.
- Each Plan must state the Agency's goals and objectives for the Project Area, identify specific programs and expenditures over the next five years, and describe how these goals and objectives, programs, and expenditures will alleviate blight.
- Each Plan must identify approaches to increase, improve and preserve the supply of low and moderate income housing. The Plan must further incorporate a plan to meet mandated housing production, affordability, and targeting income requirements.
- Each Plan can be adopted only after conducting a noticed public hearing.

A. Southeastern Economic Development Corporation

SEDC serves as the Redevelopment Agency's representative in managing redevelopment and economic development activities within a 7.2-square-mile area in Southeastern San Diego. SEDC's area of influence is bounded by Highway 94 on the north, Interstate 5 on the south and west, the City of National City on the south, and 69th Street on the east (Figure 1). SEDC's mission is:

"To implement and encourage the development of quality commercial services and housing development. To eliminate blight, adverse environmental conditions, and to foster long-term job opportunities for Southeastern residents. To promote growth and enhancement for all residents in the SEDC area of influence."

B. Southcrest Redevelopment Project

The Southcrest Redevelopment Plan was adopted on April 1, 1986. The Southcrest Redevelopment Project (Project Area) is located in the southern portion of the Southeast

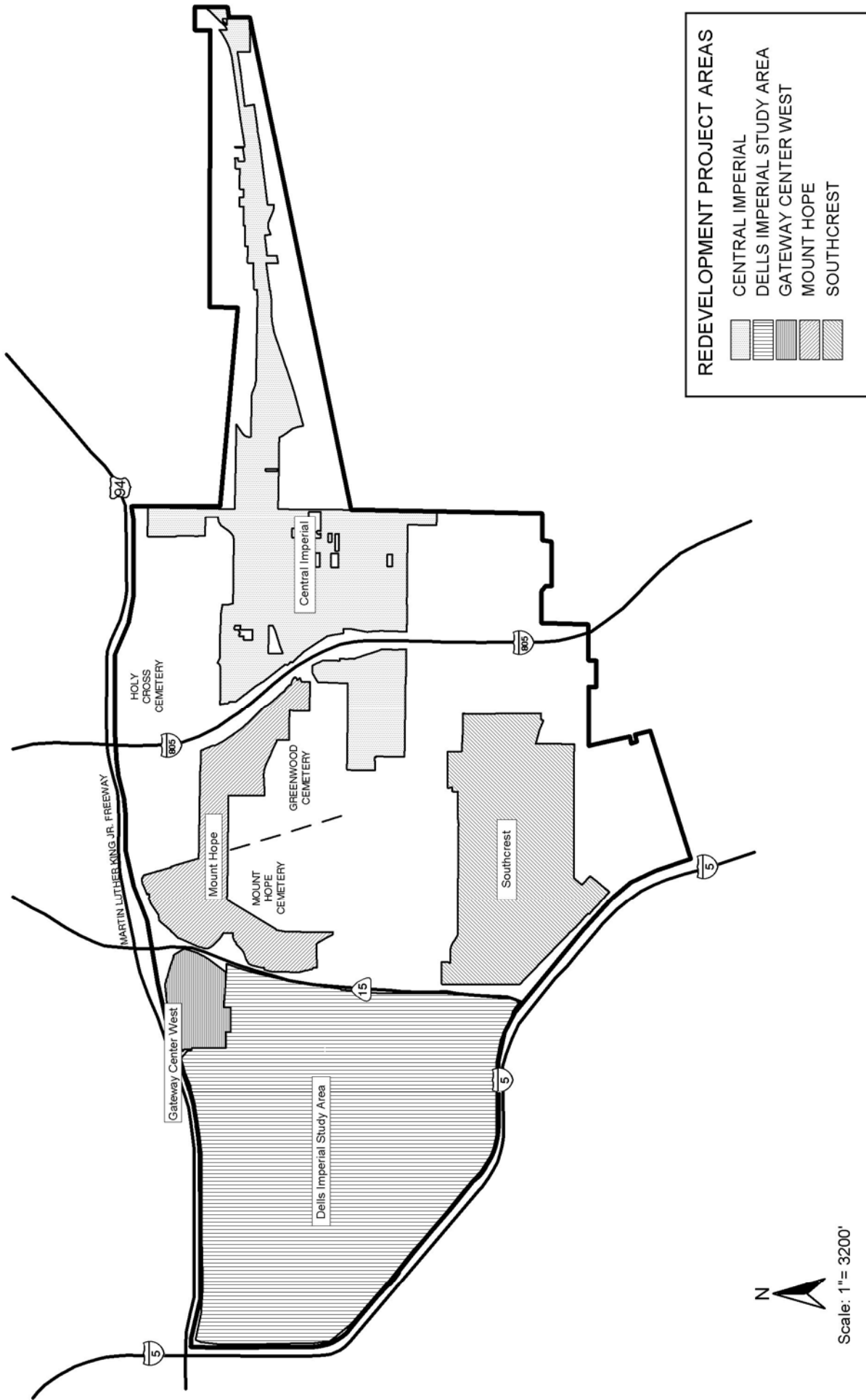


FIGURE 1

SEDC AREA OF INFLUENCE

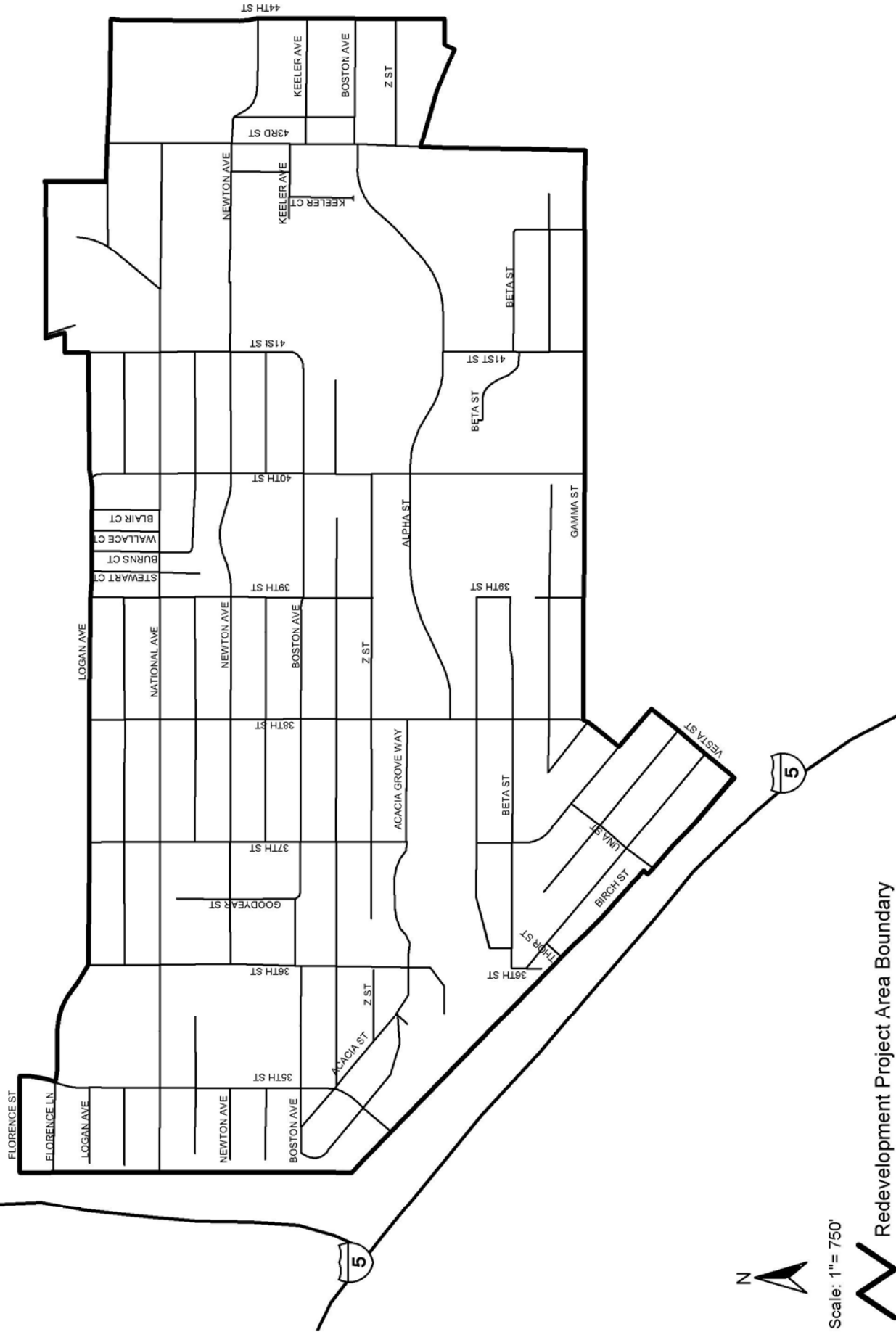
San Diego Community Planning Area in the City of San Diego. The Southcrest Redevelopment Project contains 301 acres and includes a portion of the community of Southcrest.

A map of the Project Area is shown in Figure 2 and detailed profile of the Project Area is provided in Table 1.

C. IMPLEMENTATION PLANS

In June 1994, the Redevelopment Agency of the City of San Diego (Agency) approved implementation plans for all of its redevelopment projects, in accordance with Section 33490 of California Redevelopment Law (CRL). This included the four (4) adopted redevelopment projects administered by SEDC, which are the Southcrest, Mount Hope, Gateway Center West, and Central Imperial Redevelopment Projects. Each implementation plan covered a five-year period, from 1994 to 1999, and set forth the specific goals and objectives for its respective area. These implementation plans also identified the specific redevelopment activities and/or programs that were anticipated to be “implemented” (e.g., completed) to assist in the alleviation of blighting conditions. In addition, they identified the projected expenditures associated with the redevelopment activities/programs; described how each activity/program would alleviate blight; and explained how the goals, objectives, projects, and expenditures would implement the CRL’s low and moderate income housing set-aside and housing production requirements. These implementation plans, adopted in June 1994, are referred to as the “Initial Implementation Plans”.

As noted above, after adoption of the “Initial Implementation Plans”, redevelopment agencies are required to review and adopt updated implementation plans every five years thereafter. The Agency directed that all redevelopment corporations conduct such a review. SEDC has reviewed each of its implementation plans, accordingly.



Scale: 1" = 750'



Redevelopment Project Area Boundary



05/17/04

SOUTHCREST Redevelopment Project Area

TABLE 1

Project Area Profile Southcrest Redevelopment Project

Land Area:	Approximately 301 net acres, exclusive of public rights-of-way
Boundary:	East of State Route 15 and Interstate 5, south of Logan Avenue, west of 44 th Street, and north of Gamma and Vesta Streets
Land Use:	75% Residential 9% Commercial 6% Park 5% Commercial/Business Park 5% Open Space
Date Adopted:	April 1, 1986
Term Limit:	April 13, 2026
Bonded Indebtedness Limit:	\$26.1 million
Current Tax Increment Flow:	\$704,000

Source: SEDC, April 2004

II. PROJECT GOALS AND OBJECTIVES

As described in the Agency's Report to the City Council, April 1, 1986, the Project Area was chosen for redevelopment because of the need to revitalize deteriorating commercial and residential areas, the need to redevelop the rescinded Highway 252 corridor, and the potential to provide business and employment opportunities as part of these efforts. The goals and objectives of the Redevelopment Project are as follows:

A. Blighting Conditions

The Project Area has long suffered from a loss of private investment and development activity, due in large part to deteriorating physical and economic conditions. The Agency's Report to the City Council presented detailed assessments of blighting conditions in the Project Area, including both physical deterioration and economic dislocation. The following blighting influences were identified:

- Negative impacts of the abandoned, 66-acre Highway 252 corridor, including illegal activities, property deterioration, and loss of small business activity.
- High crime rate/lack of public safety.
- High vacancies, in commercial structures.
- A large percentage of deteriorated and dilapidated structures.
- Inadequate public improvements, facilities, and utilities.
- Inferior circulation.
- Lack of adequate shopping facilities.
- Business migration out of the Project Area.
- High unemployment rate.
- Lack of affordable housing options.
- Irregular and substandard parcel size and shape.

B. Objectives and Actions Necessary for Alleviation of Blight

The Redevelopment Plan identified the following key objectives and actions for revitalization of the Project Area:

- Promote revitalization of the Southcrest community.
- Provide incentives for development of new commercial facilities to better serve the community.
- Provide incentives for development of under-utilized parcels.
- Develop the rescinded Highway 252 corridor with new housing and commercial and industrial businesses.
- Maintain the existing residential character along National Avenue.
- Ensure maximum business and employment opportunities for local residents.
- Provide better lighting, streetscape, traffic, and other public improvements.
- Encourage community involvement.

III. COMPLETED PROJECTS AND CONTRIBUTION TO BLIGHT ALLEVIATION

The Agency has completed numerous projects in the Southcrest Redevelopment Project Area since the Redevelopment Plan was adopted in 1986. These have included both assistance to private development activities and installation and improvement of public infrastructure and facilities. Agency activities in the Project Area are reviewed below and described in greater detail in Tables 2 and 3.

A. Completed Private Projects

The Agency's actions to sponsor private development in the Project Area have largely focused on redevelopment of the Highway 252 corridor. Private projects assisted by the Agency have included residential developments in and around the Project Area. These projects were sited on vacant and underutilized properties in otherwise densely developed neighborhoods, and include Southcrest Park Estates I, Boston Village, and 38th Street Homes. The Agency provided a total of about \$465,000 in assistance to these developments in the form of acquisition and construction loans. The Agency also provided assistance to qualified homebuyers in these developments, as part of SEDC's Shared Equity Program (SEP) and Downpayment Grant Program (DGP).

In terms of private commercial development, the Agency assisted with development of Southcrest Park Plaza. Assistance from the Agency for this developments included installation of public improvements and development impact fee waivers.

The Agency has assisted local commercial establishments through the Diamond Business Improvement District, which was formed to improve business conditions. The Agency has also implemented a revolving loan fund program to provide investment capital for new and established businesses to facilitate growth and expansion. Since 1992, the revolving loan program has assisted 36 businesses in all four of SEDC's Project Areas by providing approximately \$972,000 in loans.

As shown in Table 2, the Agency's activities in support of private development in the Project Area have made a substantial contribution to the alleviation of blighting conditions. The Agency's consolidation of small, irregularly shaped, and underutilized parcels has made development feasible where it otherwise would not have occurred. Moreover, in assisting new development of residential and commercial uses, the Agency has helped to alleviate blighting conditions such as crime and deteriorated structures. It has also contributed to job creation, stemmed the outflow of businesses, and stabilized local businesses. These new developments have had a positive impact on adjoining land uses and generated new housing and shopping opportunities for local residents.

TABLE 2

**COMPLETED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Date Completed	Project/Program Description	Contribution to Blight Removal
<i>Private Development Program:</i>			
Southcrest Park Plaza	1995	Construction of 130,000-SF neighborhood-serving commercial/retail center on 15.36-acre site.	<ul style="list-style-type: none"> • Provided infrastructure improvements • Created employment opportunities • Served unmet commercial/retail needs • Utilized unproductive land
Southcrest Park Estates I	April 1998	New construction of 33 single-family homes. Five (5) homes restricted to low and moderate income households.	<ul style="list-style-type: none"> • Utilized unproductive land • Increased supply of affordable housing • Provided stability to the Project Area by enhancing the permanent residential base • Improved public infrastructure • Alleviated depreciated/stagnant property values • Provided homeownership opportunities
Boston Village	November 1999	New construction of 12 single-family homes on vacant 2.8-acre site. All homes restricted to low and moderate income households.	<ul style="list-style-type: none"> • Utilized unproductive land • Increased supply of affordable housing • Provided stability to the Project Area by enhancing the permanent residential base • Alleviated depreciated/stagnant property values • Provided homeownership opportunities
38th Street Homes	March 2001	New construction of four single-family homes on 0.63 acres. All homes restricted to low and moderate households.	<ul style="list-style-type: none"> • Utilized unproductive land • Increased supply of affordable housing • Provided stability to the Project Area by enhancing the permanent residential base • Alleviated depreciated/stagnant property values • Provided homeownership opportunities

TABLE 2 (CONT'D.)

**COMPLETED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Date Completed	Project/Program Description	Contribution to Blight Removal
<i>Private Development Program (Cont'd.):</i>			
Southcrest Housing Rehabilitation Grant/Loan Program	December 2003	Provided grants and low-interest loans for rehabilitation of residential properties to low and moderate income households.	<ul style="list-style-type: none"> • Provided stability by enhancing the permanent residential base • Alleviated depreciated/stagnant property values • Preserved and rehabilitated existing housing stock

B. Completed Public Improvements

The Agency has undertaken several major public improvements in the Project Area, including funding of a community park, street improvements, and infrastructure for construction of a new elementary school. Most notable are public improvements completed in support of the Route 252 Corridor Neighborhood Park, Southcrest Park Estates I, Southcrest Park Plaza, and Cesar Chavez Elementary School. Table 3 lists the major public projects completed in the Project Area and their contribution to blight alleviation. The Agency's efforts have contributed to the alleviation of infrastructure deficiencies, depreciated/stagnant property values, and vacant/underutilized lots.

C. Expenditure of Funds

As shown in SEDC's Fiscal Year (FY) 2004 budget, cumulative Agency expenditures for the Southcrest Redevelopment Project totaled approximately \$28.1 million through FY 2003. These funds were dedicated to administrative and planning functions, public improvements in support of private development, and homebuyer assistance and housing rehabilitation loans. In FY 2005, the Agency expects to incur total expenditures related to the Redevelopment Project of \$6.2 million.

TABLE 3

**COMPLETED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PUBLIC
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Date Completed	Project/Program Description	Contribution to Blight Removal
Public Improvement Program:			
Southcrest Park Plaza	1995	Installation of public improvements.	<ul style="list-style-type: none"> • Provided infrastructure improvements • Created employment opportunities • Served unmet commercial/retail needs • Utilized unproductive land
Cesar Chavez Elementary School	October 1997	New construction of elementary school.	<ul style="list-style-type: none"> • Provided infrastructure improvements • Met need for educational facility in an under-served area • Alleviated depreciated/stagnant property values
Southcrest Park Estates I Public Improvements	September 1998	Installation of public improvements including grading, public streets, sidewalks, curb, and construction.	<ul style="list-style-type: none"> • Provided infrastructure improvements • Utilized unproductive land • Alleviated depreciated/stagnant property values
Route 252 Corridor Neighborhood Park	2003	Funding of Community park on 8.5-acre site.	<ul style="list-style-type: none"> • Utilized unproductive land • Provided neighborhood amenity • Alleviated depreciated/stagnant property values

IV. UPDATED ASSESSMENT OF CURRENT BLIGHTING CONDITIONS

The Agency has taken important steps toward the alleviation of blighting conditions in the Project Area. Nevertheless, blighting conditions are still present in the Project Area, and continue to impair private investment and development activity. As a result, a number of important developments and improvements still need to be implemented in order to achieve the Agency's goals and objectives.

A summary of the current blighting conditions in the Project Area are as follows:

- Negative impacts of the remaining vacant portion of the abandoned, 66-acre Highway 252 corridor, including illegal activities, property deterioration, and loss of small business activity.
- High crime rate/lack of public safety.
- High vacancies in commercial structures.
- A large percentage of deteriorated and dilapidated structures.
- Inadequate public improvements, facilities, and utilities.
- Inferior circulation.
- Lack of adequate shopping facilities.
- Business migration out of the Project Area.
- High unemployment rate.
- Lack of affordable housing options.
- Irregular and substandard parcel size and shape.

V. GOALS AND OBJECTIVES, PROPOSED PROJECTS, AND CONTRIBUTION TO BLIGHT ALLEVIATION

This section identifies the Agency's goals and objectives, specific programs, and possible projects in the Project Area for the next five years. Explanation is also provided as to how these goals and programs will alleviate blight. Planned expenditures are also reviewed in this section.

A. Goals and Objectives

The Agency's principal goals and objectives for the Project Area for the period July 2004 – June 2009 are as follows:

- Amend the Southeast Community Plan to delete 43rd Street and Logan Avenue re-alignment.
- Amend the Redevelopment Plan to accommodate increased densities and mixed-use.
- Amend the Redevelopment Plan to extend plan time limit.
- Amend the Redevelopment Plan to add eminent domain.
- Integrate public art whenever possible.
- Coordinate with San Diego Unified School District to identify a location for a new middle school.

B. Proposed Private Projects

To achieve these objectives, the Agency proposes to undertake the programs and possible private development projects listed in Table 4 and summarized below. For each proposed activity, the table indicates blighted conditions that will be alleviated.

The Agency plans a program of private development on various sites in the Project Area. Many of the available sites are formerly residential land cleared for State Highway 252 or land presently constrained by irregular topography conditions. Agency activities in support of development on these potential sites include:

- Assistance with new residential development on land cleared for the now-rescinded State Highway 252 corridor.

- Assistance with a Community Plan Amendment and Redevelopment Plan Amendment to allow for a zoning change from commercial to residential in support of the development of 110 townhomes and condominium units.
- Development of four industrial buildings at the Alpha Street Industrial Village (Gordon Plaza).
- Evaluation of the need to re-align the west side of 43rd and Logan Avenue in light of the installation of the connector street at Imperial Marketplace.
- Initiation of the planning process for the 43rd Street Master Plan (Logan to Interstate 805).

As shown in Table 4, Agency-sponsored private developments in the Project Area can be expected to contribute to blight alleviation by reducing conditions such as crime, infrastructure deficiencies, lack of adequate shopping facilities, business out-migration, unemployment, lack of affordable housing, residential overcrowding, depreciated/stagnated property values, parcels of irregular/size/shape/topography, and vacant/underutilized lots.

C. Proposed Public Improvements

The Agency also plans to undertake a number of major public improvements in the Project Area during the next five years. These include:

- Development of an 8.5-acre community park featuring tot lots, walking trail, comfort station, and bridge crossing Las Chollas Creek on land cleared for the State Highway 252.
- Installation of public improvements including public streets, sidewalks, curbs, and construction of flood control facilities in support of development of Southcrest Park Estates II.

Table 5 shows that the proposed public improvements will contribute to the alleviation of crime, business out-migration, and depreciated/stagnated property values.

TABLE 4

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
<i>Private Development Program:</i>			
Southcrest Park Estates II	Residential land	New construction of 62 homes on 10-acre site. Nine (9) homes restricted to low and moderate income households.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Provide stability to the Project Area by enhancing the permanent residential base • Improve public infrastructure • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
Legacy Walk 43rd and National	Primarily vacant with some residential uses	New construction of 110 town-homes and condominiums on 6-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Provide stability to the Project Area by enhancing the permanent residential base • Improve public infrastructure • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
Alpha Street Industrial Village (Gordon Plaza)	Primarily vacant with some residential uses	New construction of four buildings totaling 15,870 SF of industrial space on 1.6 acres.	<ul style="list-style-type: none"> • Alleviate crime/lack of public safety • Utilize unproductive land • Alleviate depreciated/stagnant property values • Create employment opportunities • Serve unmet commercial/retail needs • Provide homeownership opportunities
Z Street between 39th and 40th Streets	Vacant	New construction of up to 30 multi-family units.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Create neighborhood stability • Improve public infrastructure • Alleviate depreciated/stagnant property values

TABLE 4 (CONT'D.)

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
<i>Private Development Program (Cont'd.):</i>			
43rd & Delta Residential Site	Vacant	New construction of 18 units on 0.72-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Create neighborhood stability • Improve public infrastructure • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
43rd & Boston - (New) Boston Village	Older residential and paved asphalt lot	New construction of nine affordable homes on 0.64-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Create neighborhood stability • Construct infrastructure improvements • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
West side of 43rd and Logan Avenue	Vacant	New construction of 37 multi-family units on 1.26-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Create neighborhood stability • Construct infrastructure improvements • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
43rd Street Master Plan - Logan to I-805	Residential, older neighborhood-serving commercial vacant parcels.	Begin planning process for area located along 43rd Street between Logan Avenue and Interstate 805.	<ul style="list-style-type: none"> • Utilize unproductive land • Create neighborhood stability • Alleviate depreciated/stagnant property values

TABLE 4 (CONT'D.)

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
<i>Private Development Program (Cont'd.):</i>			
West side of 43rd and Newton Avenue	Vacant	New construction of 16 multi-family units on 0.55-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Increase supply of affordable housing • Create neighborhood stability • Construct infrastructure improvements • Alleviate depreciated/stagnant property values • Provide homeownership opportunities

TABLE 5

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PUBLIC
 SOUTHCREST REDEVELOPMENT PROJECT
 JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
<i>Public Improvement Program:</i>			
Route 252 Corridor Neighborhood Park	Residential land cleared for State Highway 252	Community park on 8.5-acre site.	<ul style="list-style-type: none"> • Utilize unproductive land • Provide neighborhood amenities • Alleviate depreciated/stagnant property values
Southcrest Park Estates II Public Improvements	Residential land cleared for State Highway 252	Installation of public improvements including grading, public streets, sidewalks, curb, sewer/water installation and upgrading, and alley improvements.	<ul style="list-style-type: none"> • Provide infrastructure improvements • Utilize unproductive land • Alleviate depreciated/stagnant property values

D. Proposed Expenditures

Redevelopment agencies are required to identify their proposed expenditures over the next five years for purposes of alleviating blight. Agency expenditures for the programs identified in this five-year plan will be derived from the following sources:

- Sale of tax allocation bonds supported by tax increment revenues from the Project Area.
- Tax increment revenues over and above the amounts required to cover debt service on the tax allocation bonds.
- Housing set-aside funds, which must be used for low and moderate income housing. (The status of the Agency's Housing Funds, possible housing developments, and potential expenditures are reviewed in the next section.)
- Loans and advances that may be provided from time to time by the City of San Diego.
- Section 108 loans.
- Proceeds from sales and land leases to private developers for purposes of implementing specific redevelopment projects.
- Loans and advances from private developers.

Tax revenues are expected to represent the major funding sources for Agency programs. In FY 2005 the Agency expects to receive about \$644,000 in net tax increment from the Southcrest Redevelopment Project. Net tax increment is the amount available for new programs after pass-throughs, contributions toward the Education Revenue Augmentation Fund (ERAF), and County administrative fees. The Agency expects this figure to rise about 2% annually over the next five years. Based on this assumption, the Agency can expect to receive approximately \$3,350,000 (not discounted) in net tax increment over the next five years.

Gross estimates of Agency expenditures for each proposed project identified in the previous section are listed in Table 6. The actual amount and timing of Agency expenditures will depend on the availability of funding. The Agency will continue to leverage its limited financial resources with other funding sources in order to implement its redevelopment programs. These may include, among others, advances or payments from developers and property owners, loans from the City, low-income housing tax credits, and financial participation by other public agencies. In some cases, it may be prudent for the Agency to aggregate funds to certain minimum levels before investing in programs and projects identified in this Plan.

TABLE 6

**ESTIMATED EXPENDITURES (1)
 SOUTHCREST REDEVELOPMENT PROJECT
 JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Private Projects/Programs	Description	Estimated Expenditure
<ul style="list-style-type: none"> Z Street between 39th and 40th Streets 	Additional site acquisitions	\$300,000
<ul style="list-style-type: none"> West side of 43rd and Logan Avenue 	Site acquisition	\$1,500,000
<ul style="list-style-type: none"> 43rd Street Master Plan - Logan to I-805 	Urban planning and engineering	\$200,000
<ul style="list-style-type: none"> Southcrest Park Estates II Public Improvements 	Installation of public improvements including grading, public streets, sidewalks, curb, sewer & water installation and upgrading, removal of site from flood plain, and alley improvements.	\$2,235,000
<ul style="list-style-type: none"> Southcrest Housing Rehabilitation Grant/Loan Program 	To fund program	\$200,000
Total		\$4,435,000

(1) Based on data from SEDC as of May 2004. Reflects estimated expenditures for proposed projects and programs identified in Tables 4 and 5, with the exception of those projects/programs for which a specific scope of development has yet to be determined.

VI. HOUSING PRODUCTION PLAN

In addition to the removal of blight, a fundamental purpose of redevelopment is to expand and preserve the supply of low and moderate income housing. To accomplish this purpose, California Redevelopment Law contains numerous provisions to guide redevelopment agency activities with regard to affordable housing. One of these provisions is a requirement placed on redevelopment agencies to include a housing production plan in each five-year Implementation Plan. The housing plan must specify the Agency's intended approaches to increase, improve, and preserve the supply of low and moderate income housing.

This section is organized as follows:

- First, a review of SEDC Housing Assistance programs, programs provided in cooperation with the San Diego Housing Commission, and the Agency's Comprehensive Affordable Housing Strategy Collaborative (Collaborative).
- Next, discussion of the three principal housing mandates of California Redevelopment Law -- housing set-aside funds, the replacement rule, and the inclusionary obligation -- including an assessment of the Agency's present situation with respect to each requirement.
- Lastly, specific targets for housing production are identified for five- and ten-year horizons, as well as the life of the Project Area.

A. Housing Assistance Programs

1. SEDC Housing Assistance Programs

The Agency has implemented a number of special assistance programs to achieve its goals for maintaining affordability and rehabilitating housing in the Project Area. SEDC has primarily focused on owner-occupied housing assistance. SEDC's current programs work through increasing opportunities for affordable financing for the acquisition and/or rehabilitation of existing single-family homes. To increase the supply of affordable housing, SEDC's programs include development financing assistance, such as land acquisition/construction loans and gap financing for new developments. For first-time homebuyers, SEDC offers shared equity loans (silent seconds) and down payment and/or closing cost assistance for low to moderate income families.

In addition, SEDC has facilitated homebuyer workshops, where potential purchasers are provided with information on the homebuying process as well as the various home loan

programs available in the marketplace. Purchasers receive a credit report, are pre-qualified for a home loan, and, where necessary, are assisted with budgeting for a down payment.

In 1999, SEDC adopted an update to its 1993 Housing Policies and Program document. Development guidance was one of the major issues addressed in the updated document. SEDC formed a multi-family advisory committee to establish development guidelines. In 2000 SEDC adopted the Multi-Family Development Guidelines which are utilized to evaluate multi-family development proposals. The Guidelines address the site planning, architectural, and landscaping components of development that have an impact on the physical and social fabric of the community.

Cooperation with San Diego Housing Commission

SEDC works closely with the San Diego Housing Commission (SDHC) in developing and marketing affordable housing finance programs in its project areas. Their overall policy goals are to work together to provide additional rehabilitation and homeownership opportunities. Efforts for the Project Area have concentrated on the Shared Equity and Downpayment Grant Programs for low to moderate first-time homebuyers. Together SEDC and SDHC have developed applicant criteria and loan terms and conditions; involved real estate agents; and enlisted financial institutions in funding the loans.

2. Agency's Comprehensive Affordable Housing Strategy Collaborative

The Redevelopment Agency, comprised of the City's Redevelopment Division, Centre City Development Corporation (CCDC) and SEDC, has formed a collaborative with the San Diego Housing Commission to accelerate and encourage new affordable housing development citywide. In January 2003, leveraging housing set-aside funds, the Collaborative issued a Notice of Funding Availability (NOFA) announcing the availability of \$55 million to provide gap financing for very low, low, and moderate income housing. The Project Area, along with the 15 other redevelopment project areas in the City of San Diego, is eligible to participate in this program, both financially and with proposed projects. The NOFA has so far generated significant interest from developers and as the funds are committed during 2004, the Agency will consider issuing another such notice perhaps by 2005.

B. Low and Moderate Income Housing Requirements

1. Housing Set-Aside Strategy

State Redevelopment Law requires that 20% of the tax increment generated in Project Areas be used for the purposes of increasing or improving the community's supply of very low, low, and moderate income housing. State law mandates that redevelopment agencies

use housing set-aside monies in a timely manner, or otherwise forfeit these funds to other public agencies with housing responsibilities. Specifically, the law stipulates that agencies may not retain “Excess Surplus” in their set-aside housing funds. “Excess Surplus” is defined as the amount of an Agency’s Housing Fund in excess of \$1,000,000, or the amount in the fund in excess of the aggregate contribution of the prior four-year period.

To date, the Agency has made cumulative total deposits into the Southcrest Low/Mod (20%) Housing Fund of approximately \$2,231,000. About \$1,090,000 of these funds were expended to assist with housing-related street improvements, housing site acquisitions, and rehabilitation programs. Additional funding other than set-aside funds were expended for overhead and administrative costs associated with housing activities and debt service payments. As a result, the Agency’s current total balance of housing set-aside funds is approximately \$92,000.

Housing Fund Targeting

Under California Health and Safety Code Section 33334.4, the Agency must target set-aside expenditures in accordance with an income proportionality test and an age restriction proportionality test. These proportionality tests must be met between January 1, 2002 and December 2014, and then again through the termination of the Project Area. These tests do not have to be met on an annual basis.

Housing Need

The income proportionality test requires that the Agency target set-aside expenditures to the relative percentage of unmet need for very low, low, and moderate income units, as defined in the City’s most recently approved Housing Element. Based on the City’s 1999-2004 Housing Element, the Agency’s minimum required allocation for very low and low income expenditures, and maximum moderate income housing expenditures are:

Very Low Income:	At least 32%
Lower Income	At least 29%
Moderate Income	No more than 39%

The Agency is entitled to expend a disproportionate amount of funds for very low income households, and to subtract a commensurate amount from the low and/or moderate income thresholds. Similarly, the Agency can provide a disproportionate amount of funding for low income housing by reducing the amount of funds allocated to moderate income households. In no event can the expenditures targeted to moderate income households exceed the established threshold amount.

In order to meet the income targeting standards, SEDC proposes that this Implementation Plan allocate 32% of the Housing Fund project and program expenditures to very low income households, 29% to low income households, and no more than 39% to moderate income households.

Expenditures on Senior Citizen Projects

The age restriction proportionality test requires that the maximum percentage of set-aside funds that an agency can allocate to senior housing is limited to the percentage of residents within the City that are 65 years of age and older, as reported by the most recent census of the U.S. Census Bureau.

As shown below, according to Census 2000, 10.5% of the City’s population is aged 65 years or older.

City of San Diego Senior Test:		
Under 65 Year Old	1,095,392	89.5%
65 Years and Older	128,008	10.5%
Source: U.S. Census, Census 2000		

In order to meet the age restriction proportionality test requirements, SEDC proposes that this Implementation Plan allocate 89.5% of the Housing Fund project and program expenditures to non-age-restricted housing.

2. Replacement Obligation

State law also requires the replacement of low and moderate income housing when an agency causes the removal of such housing as part of its redevelopment activities. Redevelopment agencies are required to cause the development of replacement dwelling units, for low or moderate income households, in numbers equal to those eliminated, within four years of removal.

To date, redevelopment activities in the Southcrest Redevelopment Project have not caused any housing units or households to be displaced. Future projects (i.e., development of Legacy Walk and Alpha Street Industrial Village) could result in the removal of up to four housing units. Consequently, the Agency will have to provide four replacement units.

3. Inclusionary Housing

State law incorporates inclusionary housing requirements where defined percentages of housing must be reserved for low and moderate income households. Where the Agency does not directly develop or substantially rehabilitate units, at least 15% of all new or substantially rehabilitated units in a Project Area must be affordable to low and moderate income households. Of the 15% reserved, 40% must be restricted to very low income households.

If housing is developed or rehabilitated by the Agency itself, 30% of the housing must be affordable to low and moderate income households. Of those units, 50% must be affordable to very low income households.

Prices or rents for inclusionary units must be restricted by Agency-imposed covenants for the longest feasible time, as determined by the Agency. With respect to for-sale housing, this restriction must apply for a minimum of 45 years. The minimum requirement for rental housing is 55 years.

State law allows redevelopment agencies to combine developments from several Project Areas to meet the inclusionary housing obligation described above. In addition, housing production outside Project Areas may be counted, on a 2-for-1 basis, in order to fulfill these requirements.

Status of Inclusionary Production: A summary of total housing production and percentages reserved for low and moderate income residents in the Project Area is presented in Table 7.

As shown, a total of 49 housing units have been developed in the Southcrest Project Area. All of the housing units produced have been built by private developers.

Based on this production level, the Agency's inclusionary obligation for low and moderate-income units is eight units. It is important to note that while some of the residential development projects listed in Table 7 include affordable units, restrictions on the units are for periods less than the minimum 45 years for for-sale housing and 55 years for rental housing, and therefore cannot be counted toward meeting the Agency's inclusionary obligation.

In sum, the Southcrest Redevelopment Project has yielded a total inclusionary obligation of eight low/moderate income units, of which three must be affordable to very low-income households. To date, the Agency has not restricted any units for the minimum period of 45-years (for-sale) or 55 years (rental). As a result, the Agency has a current inclusionary housing surplus of two units and a *deficit* of three very low-income units.

TABLE 7

**SUMMARY OF PRIOR HOUSING PRODUCTION (APRIL 1986 - JUNE 2004)
 SOUTHCREST REDEVELOPMENT PROJECT
 JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Prior Housing Production (April 1986 - June 2004)

<u>Project</u>	<u>Total Number of Units</u>	<u>Inclusionary Obligation @ 15.0%</u>	<u>Qualifying as Inclusionary Units</u>	
			<u>Moderate</u>	<u>Very Low</u>
38th Street Homes	4	1		
Southcrest Park Estates I	33	5	10	
Boston Village	12	2		
Total Prior Housing Production (1992-2004)	49	8	10	0

Total Inclusionary Housing Surplus/(Deficit) (1986-2004):			
	<u>Total Surplus/(Deficit)</u>	<u>Moderate</u>	<u>Very Low</u> ⁽¹⁾
Inclusionary Units Produced	10	10	0
(Less) Inclusionary Obligation	<u>(8)</u>	<u>(5)</u>	<u>(3)</u>
Total Inclusionary Housing Surplus/(Deficit)	2	5	(3)

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

C. Proposed Housing Program

Redevelopment agencies are required to outline proposed housing activities at varying levels of detail for five years, ten years, and the life of the Redevelopment Plan. Accordingly, this section addresses the Agency's housing goals, and identifies planned housing production, both market-rate and affordable, for all three time periods.

Agency Goals: The Agency has identified four key housing goals for the Project Area:

- The promotion of neighborhood stability;
- The promotion of opportunities for homeownership for families of low and moderate income as well as market-rate;
- Preservation and rehabilitation of existing owner-occupied dwelling units; and
- Assistance to rehabilitate or otherwise improve existing housing developments that are creating neighborhood problems.

To accomplish these goals, the Agency has estimated inclusionary housing production over the next five years, ten years, and the life of the Redevelopment Plan. As presented in Tables 8 through 10 and summarized below, the estimates reflect a review by Agency staff of future redevelopment potential, including the potential to implement Community Plan Amendments to increase densities in targeted areas.

<u>Housing Production:</u>	<u>5-Year Plan</u>	<u>10-Year Plan</u>	<u>Lifetime Plan</u>
Number of Units Produced	282	382	682
Total Inclusionary Obligation @ 15%	46	57	103
(Less) Inclusionary Housing Produced through June 2004	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Net Inclusionary Housing Obligation	44	55	101
Inclusionary Housing Affordability Requirements:			
Very Low Income (1)	21	25	44
Moderate Income	<u>23</u>	<u>30</u>	<u>57</u>
Total Inclusionary Obligation	44	55	101
(1) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.			

TABLE 8

**FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - FIVE-YEAR PLAN
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

I. Proposed Housing Production (July 2004 - June 2009)

<u>Project</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total Number of Units FY 2005 - FY 2009</u>	<u>Inclusionary Obligation @ 15.0%</u>
Southcrest Park Estates II	62					62	10
43rd and Boston (New Boston Village)		9				9	2
Legacy Walk - 43rd and National			110			110	17
Z Street between 39th and 40 Streets				30		30	5
43rd and Logan				37		37	6
43rd and Newton				16		16	3
43rd and Delta Residential Site					18	18	3
Total Proposed Housing Production	62	9	110	83	18	282	46

II. Estimated Inclusionary Housing Obligation

April 1986 - June 2004 (Table 7)	8
Projected through FY 2009	<u>46</u>
Total Inclusionary Housing Obligation (April 1986 - FY 2009)	54

III. Projected Inclusionary Housing Production

	<u>Moderate</u>	<u>Very Low</u>	(1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004	10	0		10
Add: Projected Inclusionary Housing Production (FY 2005 - FY 2009)	<u>23</u>	<u>21</u>	(2)	<u>44</u>
Total Projected Inclusionary Housing Production	33	21		54

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

TABLE 9

**FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - 10-YEAR PLAN
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

I. Proposed Housing Production (July 2004 - June 2014)	<u>FY 2005 - FY 2009</u>	<u>FY 2010 - FY 2014</u>	<u>Total Number of Units FY 2005 - FY 2014</u>	<u>Inclusionary Obligation @ 15.0%</u>
	Total Proposed Housing Production	282	100	382
II. Estimated Inclusionary Housing Obligation				
April 1986 - June 2004 (Table 7)				8
Projected through FY 2014				<u>57</u>
Total Inclusionary Housing Obligation (April 1986 - FY 2009)				65
III. Projected Inclusionary Housing Production				
		<u>Moderate</u>	<u>Very Low</u> (1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004		10	0	10
Add: Projected Inclusionary Housing Production (FY 2005 - FY 2014)		<u>30</u>	<u>25</u> (2)	<u>55</u>
Total Projected Inclusionary Housing Production		40	25	65

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

TABLE 10

**FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - LIFETIME PLAN
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

I. Proposed Housing Production (July 2004 - April 2026)				Total Number of Units FY 2005- April 2026	Inclusionary Obligation @ 15.0%
	<u>FY 2005 - FY 2009</u>	<u>FY 2010 - FY 2014</u>	<u>FY 2015- April 2026</u>		
Total Proposed Housing Production	282	100	300	682	103
II. Estimated Inclusionary Housing Obligation					
September 1992 - June 2004 (Table 7)					8
Projected through April 2026					<u>103</u>
Total Inclusionary Housing Obligation (September 1992 - April 2026)					111

III. Projected Inclusionary Housing Production	<u>Moderate</u>	<u>Very Low</u>	(1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004	10	0		10
Add: Projected Inclusionary Housing Production (FY 2005 - April 2026)	<u>57</u>	<u>44</u>	(2)	<u>101</u>
Total Projected Inclusionary Housing Production	67	44		111

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

TABLE 11

**PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - FIVE YEAR PLAN
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
I. Total Projected Housing Set-Aside Funds Received						
Assumed Escalation	2.0%					
Annual Housing Set-Aside Funds Received	\$711,000	\$725,000	\$740,000	\$755,000	\$770,000	\$3,701,000
Add: Current Balance FY 2004						<u>\$741,000</u>
Total Projected Housing Funds Received						\$4,442,000
II. Housing Need Test						
Very Low Income	32%	\$1,422,000				
Lower Income	29%	\$1,288,000				
Moderate Income	<u>39%</u>	<u>\$1,732,000</u>				
Total	100%	\$4,442,000				
III. Expenditures on Senior Citizen Projects						
Under 65 Years Old	89.5%	\$3,976,000				
65 Years and Older	<u>10.5%</u>	<u>\$466,000</u>				
Total	100%	\$4,442,000				

TABLE 12

**PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - TEN-YEAR PLAN
SOUTHCREST REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

	<u>FY 2005</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Total</u>
I. Total Projected Housing Set-Aside Funds Received								
Assumed Escalation 2.0%								
Projected Annual Housing Set-Aside Funds Received	\$711,000	\$770,000	\$785,000	\$801,000	\$817,000	\$833,000	\$850,000	\$7,787,000
Add: Current Balance FY 2004								<u>\$741,000</u>
Total Projected Housing Funds Received								\$8,528,000
II. Housing Need Test								
Very Low Income 32%	\$2,729,000							
Lower Income 29%	\$2,473,000							
Moderate Income <u>39%</u>	<u>\$3,326,000</u>							
Total 100%	\$8,528,000							
III. Expenditures on Senior Citizen Projects								
Under 65 Years Old 89.5%	\$7,633,000							
65 Years and Older <u>10.5%</u>	<u>\$895,000</u>							
Total 100%	\$8,528,000							

TABLE 13

**PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - LIFETIME PLAN ⁽¹⁾
 SOUTHCREST REDEVELOPMENT PROJECT
 JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
 SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

I. Total Projected Housing Set-Aside Funds Received

	<u>FY 2005</u>	<u>FY 2020</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>Total</u>
Assumed Escalation 2.0%					
Projected Annual Housing Set-Aside Funds Received	\$711,000	\$574,000	\$634,000	\$646,000	\$15,937,000
Add: Current Balance FY 2004					<u>\$741,000</u>
Total Projected Housing Funds Received					\$16,678,000

II. Housing Need Test

Very Low Income	32%	\$5,337,000
Lower Income	29%	\$4,837,000
Moderate Income	<u>39%</u>	<u>\$6,504,000</u>
Total	100%	\$16,678,000

III. Expenditures on Senior Citizen Projects

Under 65 Years Old	89.5%	\$14,927,000
65 Years and Older	<u>10.5%</u>	<u>\$1,751,000</u>
Total	100%	\$16,678,000

(1) Expiration dates for each of the four Redevelopment Plans range from 2016 to 2027.