

RUSSIAN RIVER REDEVELOPMENT PROJECT FIVE-YEAR IMPLEMENTATION PLAN

For Period FY 2008-2009 to FY 2012-2013

I. INTRODUCTION

A. Background

The Sonoma County Board of Supervisors adopted the Russian River Redevelopment Plan (the "Redevelopment Plan") and established the Russian River Redevelopment Project Area (the "Project Area") on July 18, 2000, pursuant to Ordinance No. 5249.

As required by Section 33490(a) of the California Community Redevelopment Law (the "CRL"), the Sonoma County Community Development Commission (the "Commission"), serving in its capacity as the governing body of the Sonoma County Community Redevelopment Agency (the "Agency"), adopted its most recent Five-Year Implementation Plan (the "2003 Implementation Plan") for the Project Area on April 29, 2003, which described specific goals and objectives, actions and projects, and expenditures for the redevelopment of the Project Area during the five-year period encompassing fiscal years 2003-04 through 2007-08.

The 2003 Implementation Plan is about to expire. This document constitutes the new Five-Year Implementation Plan for the Project Area (the "2008 Implementation Plan"). This 2008 Implementation Plan succeeds the 2003 Implementation Plan and generally covers the period from July 1, 2008 through June 30, 2013, encompassing fiscal years 2008-09 through 2012-13. Certain elements of the affordable housing program set forth in Section VI of this 2008 Implementation Plan address a full ten-year period from July 1, 2008 through June 30, 2017.

The 2008 Implementation Plan serves as an implementation planning tool for, and supplements the description of, the overall redevelopment program presented in the Redevelopment Plan. In conformance with the CRL, this document updates the achievements of the Agency within the Project Area during the past five years and lays out the plan for the next five years.

B. The Project Area

The Russian River Redevelopment Project Area is irregular in shape and consists of approximately 1,830 acres of unincorporated land located along the Russian River, River Road and State Highway 116. It includes the communities of Rio Nido, Guerneville, Guerneville Park, Vacation Beach, and Monte Rio, as well as other smaller communities (see attached map). Existing land uses include single-family residences, apartments, condominiums, rental cottages, a public library, fire stations, a supermarket, two theaters, tourism accommodations, gasoline stations, and many other small businesses.

C. Purpose of Implementation Plan

The primary purpose of the 2008 Implementation Plan is to provide a reasonably detailed, yet flexible framework for redevelopment program implementation by the Commission, in its capacity as the governing body of the Agency, with participation and guidance from the Russian River Redevelopment Oversight Committee (the "RRROC"). A second purpose of the 2008 Implementation Plan is to inform

affected taxing entities, business persons, residents, community organizations, and interested citizens of anticipated actions to be taken and expenditures to be made during the next stage of the redevelopment program.

D. Estimated Tax Increment Revenues

Table 1 below provides a projection of the total amount of tax increment revenues estimated to be available to fund redevelopment programs (housing and non-housing) in the Project Area within the next five-years, from July 1, 2008 through June 30, 2013, assuming average annual growth in assessed valuation of 5% per year. Tax increment revenues represent property taxes from the Project Area attributable to growth in Project Area assessed valuation following the 2000 adoption of the Redevelopment Plan and provide the primary funding source available to the Agency and the Commission to pursue redevelopment of the Project Area. These incremental property tax revenues are allocated to the Agency pursuant to the Redevelopment Plan and the CRL and are made available to the Commission to fund the program of redevelopment in and for the benefit of the Project Area. The Commission has adopted a policy to limit to \$300 million cumulatively and \$8 million annually the amount of tax increment revenue that may be received for the Project Area. Neither of these limits will be reached during this five year planning period; therefore, the amount of tax increment revenue received through June 30, 2013 will be limited only by the rate of increase in the assessed valuation of project area properties.

The CRL requires that redevelopment agencies deposit not less than twenty percent (20%) of the gross tax increment generated in a project area into a special fund to be used for qualified low and moderate-income (or affordable) housing programs. This fund is commonly referred to as the 20% Housing Set Aside Fund. Redevelopment agencies are also required to make payments to affected taxing entities such as school districts, fire districts, park districts, etc. from tax increment generated in the Project Area. The taxing sharing payments or “pass-throughs”, as they are commonly known, are based on a three tiered formula and are made after the deposits are made into the 20% Housing Set Aside Fund. The following table shows what portion of these funds goes to the each of these mandated categories, and what portion would be available for economic development programs and projects, and other non-housing activities.

Table 1: Russian River Redevelopment Project Area Projected Tax Increment Revenues

Fiscal Year	Gross Tax Increment	20% Housing Set Aside	Pass Through Payments		Net Tax Increment Revenues Non-Housing
			Tier 1	Tier 2	
2008-09	4,894,963	978,993	978,993		2,936,977
2009-10	5,319,596	1,063,919	1,063,919		3,191,758
2010-11	5,765,035	1,153,007	1,153,007	244,889	3,214,132
2011-12	6,232,301	1,246,460	1,246,460	323,389	3,415,992
2012-13	6,722,463	1,344,493	1,344,493	405,737	3,627,740
TOTAL	\$28,934,358	\$5,786,872	\$6,760,887		\$16,386,599

E. Potential for Issuance of Tax Allocation Bonds

The redevelopment budget included in this 2008 Implementation Plan conservatively assumes that programs and projects will be funded on a pay-as-you-go basis from annual tax increment revenues. Though the CRL permits the issuance of tax allocation bonds by redevelopment agencies¹ to significantly increase the amount of immediately available revenues, specific plans for such bonding have not been made at the time of adoption of this 2008 Implementation Plan. It might be prudent and appropriate to issue bonds at a later stage of the five-year implementation period and if so, the 2008 Implementation Plan will be updated to reflect expenditure targets and additional programs and/or projects to be funded with the proceeds of such bonds.

II. REDEVELOPMENT PLAN LIMITS

In compliance with CRL Section 33490(a)(5), effective January 1, 2008, following are the various time limits set forth in the current Redevelopment Plan.

Table 2: Redevelopment Plan Limits

Type of Limit	Date of Limit
Debt Incurrence	July 18, 2020
Effectiveness of Plan	July 18, 2030
Receipt of Tax Increment/Debt Repayment	July 18, 2045
Commencement of Eminent Domain Proceedings	July 18, 2012 ²

III. PAST PROJECTS

The Agency provided approximately \$5,786,872 in Russian River Redevelopment funding to complete projects and programs, from July 1, 2003 through June 30, 2008, as follows:

During the past five years, redevelopment activity in the Russian River was primarily focused on building the administrative infrastructure and undertaking plans and studies need to bring about the early goals and objectives established by the Commission. Listed below is a list of accomplishments achieved during the previous five years.

Elimination of Blight

- Loans to property owners to demolish and remove dangerous and dilapidated residential structures.
- Big Spring Cleanup in 2006
- Vehicle Abatement Program
- Historic Bridge Security Cameras
- Woodstove Replacement Rebate Program
- Russian Riverkeeper property rehabilitation and Stewardship Park

¹ Tax allocation bonds are municipal bonds issued by a redevelopment agency under authority of CRL Section 33640 et seq. to raise significant immediate funds for redevelopment activities through a pledge of the agency's long-term stream of future tax increment revenues to repay principal and interest on such bonds.

² The Redevelopment Plan does not allow the use of eminent domain with respect to properties containing a residentially occupied structure.

Community Revitalization & Economic Development

- EcoRing
- Niche Marketing
- Russian River Strategic Plan³
- River Child Care Services building renovation

Infrastructure Improvements

- Sweetwater Springs Water District repair and upgrade of water distribution lines
- Russian River Fire Protection District emergency generator
- Rio Nido Fire District Fire Station renovation
- Monte Rio Fire District Feasibility Study
- Monte Rio Community Center renovation and expansion
- River Flow Study
- Russian River Corridor Design Guidelines³
- Guerneville River Park
- Russian River Recreation and Park District Tennis Courts
- KGGV Radio Alert System

Open Space and Recreation Improvement to Remove Blight or Support Economic Development

- Russian River Recreation and Park District Master Plan
- Monte Rio Recreation and Park District Master Plan

Increasing Housing Opportunities

- Land acquisition and predevelopment for 48 units of new affordable housing in Guerneville
- Russian River Affordable Housing Alternatives Study
- Loans to rehabilitate housing for low and moderate-income property owners
- Loans to elevate flood-prone housing as part of the Flood Mitigation Program
- Ca-LEEP Energy Conservation Retrofit Program

IV. GOALS AND OBJECTIVES

The goals and objectives set forth below for this 2008 Implementation Plan are taken directly from the goals and objectives as adopted in the original Redevelopment Plan, which are hereby incorporated in this 2008 Implementation Plan.

1. Elimination, over time, of conditions that blight the Project Area, with special emphasis on those conditions that contribute to blight along the river itself.
2. Restoration and expansion of the Project Area as a desirable visitor and tourist destination.
3. Revitalization, as appropriate, of the Project Area's businesses and business districts.
4. Economic development that leads to increased employment opportunities and that mitigates underemployment problems for local residents.

³ To be completed during FY 08-09

5. Enhancement and protection of the physical environment and sensitive habitat areas, such as forests and riparian ecosystems.
6. Mitigation of problems resulting from natural disasters.
7. Recovery from natural disasters.
8. Preservation and enhancement of architecturally and historically interesting buildings and neighborhoods.
9. Improvement of substandard housing conditions in the Project Area.
10. Improvement of streets to ensure safe motor vehicle, bicycle and pedestrian movements and facilitate emergency vehicle accessibility.
11. Provision of storm drainage improvements to enhance public safety and minimize damage to public and private property.
12. Provision of public improvements and facilities as may be appropriate, consistent with maintaining and enhancing the rustic, informal character of the area, as well as the natural environment.
13. Provision of recreation and park facilities for both local residents and visitors, and improved accessibility to recreational assets.
14. Elimination, over time, of adverse conditions that contribute to soils, groundwater, and river contamination.
15. Facilitation of redevelopment activities by working cooperatively with staff of various departments within the County.
16. Protection of endangered species consistent with local, state and federal law.
17. Provision of an improved commercial and residential parking supply.
18. Upgrading and improvement of utility services to reduce power outages.
19. For public safety purposes, the development of an improved system of street names and addresses.
20. Assistance in the repair, expansion or development of sewer facilities serving the Project Area consistent with the applicable policies in the General Plan.
21. Provision of an increased supply of affordable housing, either through new construction or rehabilitation.
22. Provision of streetscape and pedestrian amenities to encourage improved pedestrian/bicycle circulation.
23. Assistance to public safety entities in the provision of capital facilities and equipment to serve the Project Area and environs.

Although these goals and objectives cover the proposed program for the five-year period from July 1, 2008 and ending on June 30, 2013, funding limitations may allow only partial accomplishments.

IV. NON-HOUSING PROGRAMS AND PROJECTS

A. Proposed Projects

Many of the programs, activities, projects and improvements that may be undertaken to address the foregoing goals and objectives are eligible and appropriate for funding and implementation by the Agency under the terms of the CRL, the Redevelopment Plan, and the attached Sonoma County Policy Guidance for Use of Redevelopment Funds (the "Policy Guidance"), adopted by the Board of Supervisors and the Commission on April 1, 2008 and incorporated in this 2008 Implementation Plan by this reference. Other programs, activities, projects and improvements would be more appropriately implemented by the County, other governmental entities, and community organizations, residents and businesses to complement and support the activities that may be directly funded and undertaken by the Agency pursuant to the CRL, the Policy Guidance, the Redevelopment Plan, and this 2008 Implementation Plan. Each project proposed for redevelopment funding will be evaluated according to the criteria contained in the Policy Guidance to determine whether the project is eligible and prioritized for assistance.

Given the amount of anticipated tax increment revenue to be available from fiscal year 2008-2009 through fiscal year 2012-2013 covered by this 2008 Implementation Plan, it is anticipated that special emphasis will be given to the following implementation programs and projects:

- Elimination of Blight: The Agency will continue to eliminate blighting influences and correct environmental deficiencies in the Project Area, including: deteriorated, obsolete and aged building types and designs; incompatible and uneconomic land uses; and inadequate or deteriorated public improvements, facilities and utilities.
- Commercial Revitalization and Economic Development: The Agency will continue to seek opportunities to assist economic development and revitalization of the Project Area, especially financial support targeted to improvement and expansion of existing businesses and attraction of compatible new businesses. Projects may include assistance to market the Project Area's attributes as an eco-tourism destination and to promote green businesses and services, assistance with environmental clean-up, business facilities improvement loans, commercial façade improvement loans and commercial rehabilitation, improved signage, and programs and projects to reinforce the Project Area's identities.
- Infrastructure Improvement: The Agency will continue to promote economic development through the repair and improvement of infrastructure systems within the Project Area boundaries during the term of this 2008 Implementation Plan. As further discussed in Section I. E above, issuing tax increment revenue bonds would allow the Redevelopment Agency to raise the amount of funding that could be committed during the five year implementation plan period.
- Open Space and Recreation: The Agency will consider opportunities for open space, recreation, community and other public facilities, the primary purpose of which would be to remove blight or support economic development.

B. Proposed Funding Plan – The Next Five Years

The updated expenditure plan for non-housing funds during the 2008 Implementation Plan's five-year implementation period is set forth in Table 3 below. It should be noted that this funding plan simply sets general guidelines and targets for Agency expenditures and that the actual allocation and appropriation of funds will be set through the CDC's current and future annual budgets for the Agency, as advised by the RRROC. Allocations for various activities in the current and future adopted budgets may vary from

the expenditure plan presented in Table 3 of this Implementation Plan to reflect the judgment of the RRROC and the Commission about changing redevelopment needs and opportunities.

Table 3: Proposed Funding Plan - Non-Housing Projects (values in thousands of dollars)

PROGRAM	Fiscal Year					
	2008-09	2009-10	2010-11	2011-12	2012-13	TOTAL
Elimination of Blight	440.5	478.5	482	170.8	181.5	\$1,753.3
Commercial Revitalization and Economic Development	881	958	964	1,025	1,088.3	\$4,916.3
Infrastructure Improvements	1,175	1,277	1,607	2,049.4	2,176.4	\$8,284.8
Open Space & Recreation to Remove Blight or Support Economic Development	440.5	478.5	161	170.8	181.5	\$1,432.3
TOTAL ¹	\$2,937	\$3,192	\$3,214	\$3,416	\$3,628	\$16,386.7

¹ Values for these time periods include estimates.

V. ALLEVIATION OF BLIGHT

Adverse physical and economic conditions in the Project Area were originally described in the March 3, 2000 Report on the Redevelopment Plan for the Russian River Redevelopment Project that accompanied the original Redevelopment Plan. Table 4 describes how the various redevelopment activities undertaken and proposed to be undertaken pursuant in this 2008 Implementation Plan will help to alleviate such remaining blight in the Project Area.

Table 4: Alleviation of Adverse Conditions

Documented Adverse Physical and Economic Conditions	Proposed Redevelopment Actions and Projects Designed to Alleviate Conditions
<p>Deficient or Deteriorated Buildings</p> <ul style="list-style-type: none"> • Structurally unsound residences • Physically damaged residences • Residences with leaking roofs • Deteriorated residences • Buildings that fail to provide adequate access for the disabled • Residences damaged by repeated flooding <p>Blighting Conditions</p> <ul style="list-style-type: none"> • Abandoned, fire damaged and dilapidated buildings • Abandoned vehicles • Trash and debris accumulations <p>Adverse Economic Conditions</p> <ul style="list-style-type: none"> • Declining tax revenues • Declining tourism • Underutilized properties • Limited job opportunities <p>Substandard Public Improvements</p> <ul style="list-style-type: none"> • Substandard, deteriorated and hazardous roads 	<p>Deficient or Deteriorated Buildings</p> <ul style="list-style-type: none"> • Stabilization of residences • Residential rehabilitation • Provision of accessibility improvements for the disabled • Elevation of flood-prone residences <p>Blighting Conditions</p> <ul style="list-style-type: none"> • Assistance in the removal of abandoned, fire damaged and dilapidated buildings • Removal of abandoned vehicles • Clean-up of trash and debris <p>Adverse Economic Conditions</p> <ul style="list-style-type: none"> • Tourism and economic development funding • Assistance with business district revitalization • Assistance to create new employment opportunities <p>Substandard Public Improvements</p> <ul style="list-style-type: none"> • Repair and improvement of substandard, deteriorated and hazardous roads

VI. AFFORDABLE HOUSING ACTIVITIES

A. Project Area Housing Production Requirement

CRL Section 33413(b) requires that specified percentages of all new or substantially rehabilitated housing units in the Project Area during each ten-year compliance period over the life of the Redevelopment Plan be made available as affordable housing to low and moderate income households, including very low income households. CRL Section 33490(a)(2)(B) requires that each five-year implementation plan contain specified information about compliance with this project area affordable housing production requirement. This section of the 2008 Implementation Plan addresses these requirements.

Because the Agency itself does not intend to develop or rehabilitate housing units in the Project Area, but instead intends to facilitate such development and rehabilitation by private parties - affordable housing developers, property owners and individual homeowners - the applicable CRL requirement is that the Agency must assure, during each applicable compliance period, that at least 6% of all new or substantially rehabilitated housing units in the Project Area are made affordable to very low income households through long-term affordability covenants, and that at least an additional 9% of all new or substantially rehabilitated housing units in the Project Area are made affordable to moderate income households (including very low and low income households) through long-term affordability covenants.

Table 5 summarizes the status of the Agency's compliance with this Project Area affordable housing production requirement for the current and future periods. The Agency's first compliance period for the affordable housing production requirement ends with the conclusion of the 2003 Implementation Plan on June 30, 2008. The Agency's next compliance period for the affordable housing production requirement runs from July 1, 2008 through June 30, 2018, spanning the 2008 Implementation Plan period and the period that will be subject to the subsequent five-year implementation plan beginning in 2013.

As detailed in Table 5, over the long-term, the Agency estimates that it will create a considerable and expanding surplus of affordable units above the statutory production requirement by using its Housing Fund deposits and other funding sources to produce affordable units to meet its compliance obligations through the end of the Redevelopment Plan period.

Table 5: Status of Project Area Affordable Housing Production Requirement

Compliance Period	New and Substantially Rehabilitated Units in Project Area	Number Required to be Affordable		Number of Affordable Units Created		Surplus /(Deficit) In Affordable Units	
		L/M ¹	VL ¹	L/M ¹	VL ¹	L/M ¹	VL ¹
FY 2000/01 – FY 2007/08	8	1	1	5 ³	24 ³	4	23
FY 2008/09 – FY 2012/13 ²	86	8	6	31	46	23	40
FY 2013/14 – FY 2017/18 ²	20	2	2	2	2	0	0
FY 2018/19 – FY 2029/30 ² (End of Plan)	30	3	2	3	2	0	0
Total*	144	14	11	41	74	27	63

¹ L/M = Low/Moderate-Income; VL = Very Low-Income)

² Values for these time periods are estimates

³ Production Units counted on 2:1 basis from outside project area as permitted by CRL Section 33413(b)(2)(A)(ii) (Vineyard Creek Apts, Larkfield: 23 VL / Larkfield Oaks: 1 VL & 4 L/M / Woodstone Commons, Forestville: 1 L/M)

B. 20% Set-Aside Housing Fund Deposits and Expenditures

CRL Sections 33334.2 et seq. require that the Agency deposit 20% of its tax increment revenue into a Low and Moderate Income Housing Fund (the "Housing Fund") and that it make timely expenditures from the Housing Fund to facilitate the development, improvement, and preservation of the community's affordable housing stock. CRL Sections 33490(a)(2)(A) and (C) require that each five-year implementation plan contain specified information about compliance with these Housing Fund deposit and expenditure requirements. This section of the 2008 Implementation Plan addresses these requirements for the five-year implementation period July 1, 2008 through June 30, 2013.

1. Total Deposits and Expenditures. The beginning balance in the Housing Fund as of July 1, 2008 is \$1,426,813. Deposits to the Housing Fund during the five-year implementation period are estimated to be as follows, based on assumed annual growth in assessed valuation of 5% per year:

Table 6: Housing Fund Revenues

Fiscal Year	Tax Revenue	Interest	Loan Repayments And Other	Total Deposit
2008-09	978,993	49,000	0	1,027,922
2009-10	1,063,919	53,000	0	1,116,919
2010-11	1,153,007	58,000	0	1,211,007
2011-12	1,246,460	62,000	0	1,308,460
2012-13	1,344,493	67,000	0	1,411,492
TOTAL	\$5,786,872	\$289,000	\$0	\$6,075,870

Estimated Housing Fund expenditures for the five-year implementation planning period (by fiscal year) are as follows:

Table 7: Housing Fund Expenditures (shown in thousands)

Expenditure Type/Program	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Rehabilitation Loans (flood elevations, scattered-site owner-occupied single-family & mobile homes)	\$517.7	\$517.7	\$517.7	\$517.7	\$517.7
Loan to Developers	\$0	\$1,800	\$562.4	\$562.4	\$562.4

Expenditures from the Housing Fund during the five-year implementation period are estimated to produce new, rehabilitated and price-restricted affordable housing units as follows:

Table 8: Housing Fund – Assisted Units

Housing Type	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
New	0	0	47	15	15
Rehabilitated	10	10	10	10	10
Price-Restricted	0	0	47	15	15

2. Housing Fund Activities To-Date. The following affordable housing activities have occurred during the period of the 2003 Plan period using funds provided by the Agency from the Housing Fund and other sources:

- Guerneville 5th and Mill: On February 29, 2008, the Commission closed an \$890,000 loan from the redevelopment housing set-aside to Burbank Housing Development Corporation, to pay acquisition and predevelopment costs of the 48-unit Guerneville Fifth and Mill project (47 rent restricted), which serves low- and very-low income households making 60% or less of the area median income. Up to 17 of the units will be reserved for special needs households, such as persons with mental disabilities, history of substance abuse, and HIV/AIDS. The 48 units include 13 replacement units for substandard units removed from the site to make room for the new project. Fifty-five year affordability restrictions will be put in place as a result of the redevelopment assistance. Acquisition is complete and predevelopment activities are underway.
- Housing Rehabilitation Loan Program: Six single family dwellings owned and occupied by low-income households have been rehabilitated using \$345,158 in redevelopment housing set-aside funds.

These efforts resulted (or will result) in the preservation or creation of a total of 53 affordable units in the Project Area.

3. Future Activities. During the implementation plan period (FY 2008-09 through FY 2012-13), the Commission proposes to continue to use available Housing Funds as follows:

- **Rehabilitation** of units occupied by persons of low- and very low-income, especially owner-occupants of single-family homes and owner-occupants of mobile homes sited in mobilehome parks. Such work is anticipated to include but not necessarily be limited to roofing repairs, removal of termite infestation and dry rot, elevation of houses to reduce flood damage, installation / improvement of insulation and thermal efficiency, access improvements, and plumbing and electrical improvements, earthquake bracing and other assistance to mobilehomes, and public information and other outreach programs to increase participation in and effectiveness of the rehabilitation programs.
- **Development** of new multifamily units, especially in conjunction with efforts to increase the number of housing units available for special needs. Activities may include but would not necessarily be limited to the acquisition and disposition of land for the development of affordable housing units, and participation with other lenders in financing affordable housing development projects.

These programs are anticipated to be provided through low-cost, low-interest loans and, where appropriate, small grants, in combination with other programs as appropriate and available. Housing Funds will be distributed between these programs as opportunities arise. Revenues received during the five-year term of this Plan may be added to the funding levels projected above through the annual budgeting process.

4. Targeting. Over the course of the Agency's initial targeting compliance period beginning upon Redevelopment Plan adoption and ending at the conclusion of the 2003 Implementation Plan period (July 1, 2000 – June 30, 2008), the Agency expended and encumbered funds from its Low and Moderate-Income Housing Fund in compliance with the CRL Section 33334.4 requirement to expend

Housing Fund monies to assist very low- and lower-income households in at least the same proportion as the ratio of (1) the total number of housing units needed in the community for those two income categories to (2) the total number of units needed in the community for very low-, low-, and moderate-income households, using the regional housing needs allocation (RHNA) prepared for Sonoma County by the Association of Bay Area Governments (ABAG).

The 2001 RHNA for Sonoma County indicates that 1,311 units (33%) are needed for very low-income households, 1,116 units (28%) are needed for low-income households, and 1,563 units (39%) are needed for low-/moderate-income households. Since July 1, 2000, the Agency has allocated a total of \$1,235,158 from the Housing Fund to assist 53 housing units. Seventy-two percent (72%) of the funds will assist very low-income units, and 28% of the funds will assist low-income units, and zero percent of the funds will assist moderate-income units, thus complying with the Housing Fund income targeting requirement as of the end of the initial targeting compliance period on June 30, 2008. The Agency will continue to assist households from its Housing Fund in compliance with the CRL income targeting requirement during the next targeting compliance period from July 1, 2008 through June 30, 2018.

The Agency has also expended and encumbered funds from its Low and Moderate Income Housing Fund in compliance with CRL Section 33334.4(b) requirement to assist housing that is not restricted to seniors (over 65 years of age) in at least the same proportion as the numbers of low-income households in the community with a member under age 65 bears to the total number of low-income households in the community as reported in the most recent census. The 2000 Census of Population and Housing data indicates that 33% of the County's low-income households are categorized as senior households (65 and over). Since January 2000, 0% of the expended Housing Fund monies assisted households restricted to seniors, thus complying with the age-restricted targeting requirement as of the end of the initial targeting compliance period on June 30, 2008. The Agency will continue to assist households from its Housing Fund in compliance with the CRL age-restricted targeting requirement during the next targeting compliance period from July 1, 2008 through June 30, 2018.

C. Replacement Housing Requirement

CRL Section 33413(a) requires that the Agency cause the replacement in a specified time and manner of dwelling units within the Project Area housing low and moderate-income households that are destroyed or removed from the low and moderate income housing market as part of a redevelopment project. CRL Section 33490(a)(3) requires that each five-year implementation plan contain specified information about compliance with this replacement housing requirement. This section of this 2008 Implementation Plan addresses these requirements.

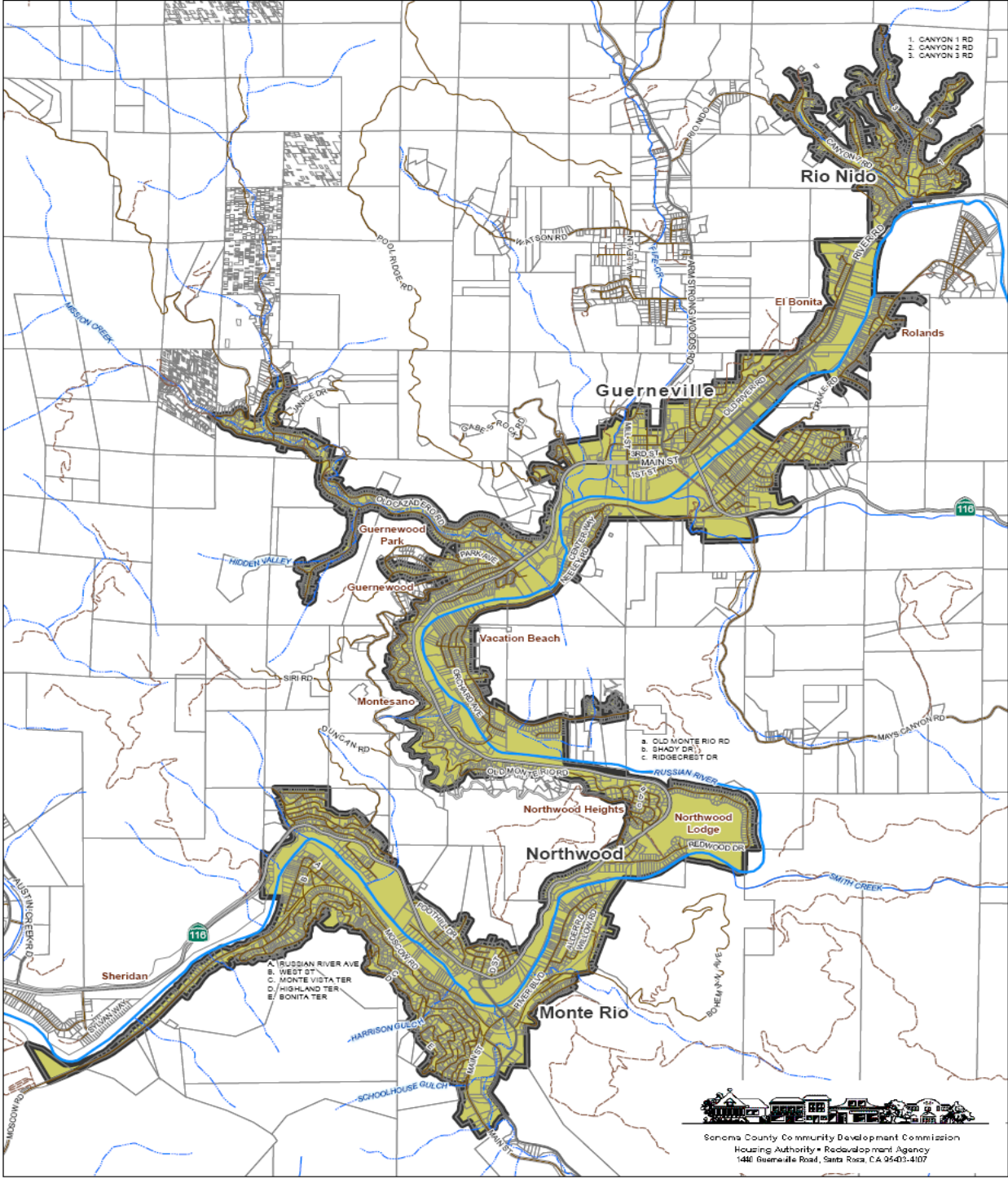
The above referenced 13 units that will be destroyed to make possible the Guerneville 5th and Mill Project will be replaced on site with the completion of the Guerneville 5th and Mill development. No other units have been removed from the affordable housing stock by Agency action, and no other redevelopment project activities are planned over the next five years that would result in the destruction or removal of low- and moderate-income housing units.

In the event any future redevelopment activities were to require the destruction or removal of any of the low- and/or moderate-income housing stock, the responsible entity would be required to adhere to the provisions of the State Relocation Law (Government Code Section 7260 et seq.), the State Relocation Guidelines, as those regulations may be amended by the State from time to time, and the Relocation Methods incorporated in the Redevelopment Plan. Any amendments to the State Relocation Guidelines shall automatically be incorporated without the need for further action by the Agency.

Attachments:

Russian River Redevelopment Area Map

Sonoma County Policy Guidance on Use of Redevelopment Funds



RUSSIAN RIVER REDEVELOPMENT PROJECT AREA

Legend:

- Russian River Redevelopment Project Area
- GIS version of Assessor Parcels
- Highway
- Major Road
- Residential Road
- Unnamed St
- River
- Stream
- Intermittent Stream

DATE: 04/22/2008

LOCATION REFERENCE

- Author: County of Sonoma Community Development Commission
- Projection: California State Plane Coordinate System, Zone II, NAD 83, US survey feet, Lambert Conformal Conic
- Document Source and Date: sc-grid02\gisdata\Projects\Redevelopment\RussianRiverReDev\map1\1x17_Edits.mxd, 04/22/2008
- Data Source: Sonoma County Information Systems Department GIS Central, GBE, Sonoma County Assessor

SONOMA COUNTY
POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS
April 1, 2008

The California Community Redevelopment Law (CRL) provides the authority for a county or city to establish a redevelopment agency to carry out a local redevelopment program using tax increment financing. The law governing community redevelopment resides in the Health and Safety Code, beginning with Section 33000 et seq. At its roots, redevelopment is about improving the health and safety conditions in a designated redevelopment project area. Redevelopment can only be used in areas that suffer from adverse physical and economic conditions, defined in the law as “blight”. Redevelopment is also focused on the preservation and expansion of employment and affordable housing opportunities.

The fundamental premise behind redevelopment funding is that real estate values (called Assessed Valuation – AV) typically increase over time as existing commercial and residential properties are sold and improved, and as new developments are built within a redevelopment project area. The additional property taxes generated as a result of this increase in AV (called the property tax increment) are allocated to the redevelopment project to finance additional activities that will benefit the project area.

Without the redevelopment project, all existing and new property taxes would continue to be allocated to the County’s general fund and to special districts serving the area. The County’s general fund provides resources for services such as law enforcement, public health, planning, public works, roads, library, and administration. Special district funding provides resources for services such as fire protection, schools, lighting, parks and recreation, and pollution control/conservation.

Only a portion of the tax increment revenues flow to the redevelopment project. A percentage is first “passed through” to the County’s general fund and to special districts. Tax increment revenues remaining after these pass-through payments go to the redevelopment project. CRL further stipulates that 20 percent of the gross tax increment revenues, as calculated prior to the pass-through payments, must be allocated to activities that will increase affordable housing opportunities for low- and moderate-income households in the project area. Remaining tax increment revenues received by the redevelopment project may be used for any eligible activity under CRL.

A county or city that establishes a redevelopment project may establish additional priorities and criteria for the types of CRL-eligible activities that will be considered for receipt of local redevelopment assistance. Accordingly, the Board of Supervisors, acting in their capacity as the Board of Commissioners of the Sonoma County Community Redevelopment Agency, has developed the following policies and priorities to more narrowly focus the investment of redevelopment funding in County redevelopment project areas.

All requests for Sonoma County redevelopment assistance will be evaluated to determine that the proposed project will:

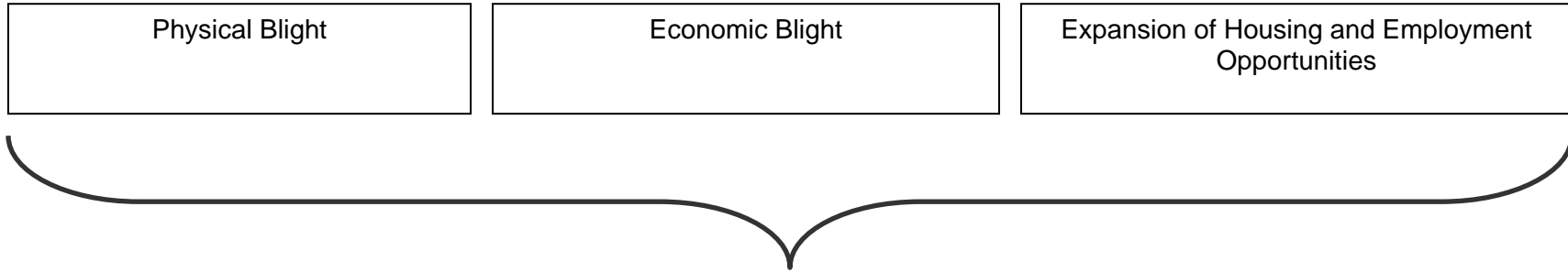
- 1) Address a primary purpose of CRL; and
- 2) Represent an allowable use of redevelopment funds under CRL; and
- 3) Meet the criteria and standards contained in CRL; and
- 4) Meet local priorities, criteria, and standards contained in these policies.

The following pages further describe each of the factors listed above, and lay out the framework within which proposed projects will be evaluated for redevelopment assistance within Sonoma County’s redevelopment project areas.

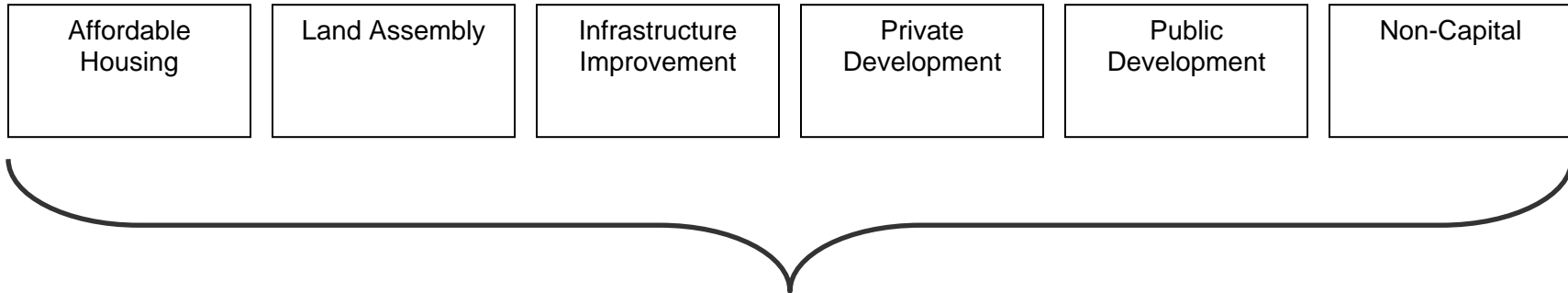
For further information, please contact: Sonoma County Community Development Commission / Redevelopment Agency- 707-565-7508.

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

1. Project must conform to State law: elimination of blight and the expansion of housing and employment opportunities



2. An activity must be permitted under CRL and meet statutory criteria and standards, as applicable



3 & 4. Project must meet state and local criteria and standards



SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

The following decision-making framework will be used to evaluate projects seeking redevelopment assistance.

1. Is the proposed use consistent with the purpose of California Redevelopment Law?

California Community Redevelopment Law (CRL) establishes the primary purpose of redevelopment funding as the elimination of blight and the expansion of housing and employment opportunities. CRL defines **blight** as a **predominantly urbanized** area characterized by **one or more** CRL listed **physical blight condition and economic blight condition** that rise to the following levels of significance:

- the combination of blight conditions are so **prevalent** and **substantial**
- there is a resulting **reduction** of, or **lack** of, utilization of the area
- area constitutes a **serious** physical and economic **burden** on the community
- blight cannot reasonably be expected to be reversed or alleviated by **private enterprise**, or **government action**, without redevelopment assistance

To be eligible for redevelopment funding, an activity must address one of the purposes identified in CRL. Table 1 identifies CRL listed physical and economic blight conditions, and housing and employment opportunities eligible for redevelopment assistance.

Table 1: Statutory Purposes for Redevelopment

Physical Blight	Economic Blight	Housing and Employment Opportunities
- Unsafe or unhealthy buildings	- Depreciated or stagnated property values	- Expand supply of low- and moderate-income housing
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots	- Abnormally high vacancy rates, low lease rates, high number of abandoned buildings	- Expand employment opportunities for jobless, underemployed, and low-income persons residing in the project area
- Adjacent or nearby incompatible land uses	- Impaired properties (contamination)	
- Subdivided lots with multiple ownership and development constraints	- Serious lack of necessary commercial facilities	
- Inadequate infrastructure	- Serious residential overcrowding	
	- Excess of bars, liquor stores, or adult-oriented businesses	
	- High crime rate	

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

2. Is the proposed use allowable under CRL?

In addition to addressing the purpose of redevelopment, an activity must be allowable under CRL. Table 2 includes examples of allowable activities. Allowable does not mean that such activities are automatically eligible for redevelopment funding. To be eligible, activity must meet the purpose of CRL, be allowable under CRL, and meet criteria and standards (Ref. 3 & 4 below) contained in CRL.

Table 2: Examples of State CRL Allowable Activities for the Use of Redevelopment Funding

A. Affordable Housing (20 % low mod set-aside)	B. Land Assembly	C. Infrastructure Improvement	D. Private Development	E. Public Development	F. Non-Capital
- New rental and owner units	- Acquisition	- Sewer	- Façade improve	- Parks	- Strategic plans
- Substantial rehabilitation	- Site preparation	- Water	- Commercial Rehab	- Health facilities	- Design guidelines
- Non-substantial rehab	- Disposition	- Roads	- Seismic Upgrd	- Community Ctrs	- Marketing (tourism)
- Hazard mitigation		- Sidewalks	- Visitor centers	- Public restrooms	- Clean-up programs
		- Lighting	- Hazard mitigation	- Fire stations	- Graffiti removal
		- Storm Drains		- Law enforcement	- Abandon vehicle abate
		- Landscape		- Signage	- Extraord code enforce
		- Drainage			
		- Bike lanes			

3. Does the activity meet criteria and standards contained in CRL?

CRL contains statutory criteria and standards a project must meet to be eligible for redevelopment assistance. Following is a list of criteria and standards arranged by activity type:

A. Affordable Housing

- Loans or grants for public or private developers/property owners
- Increases, improves, or preserves the supply of housing affordable to low- and moderate-income households
- Counts towards unmet replacement housing requirement, if any¹
- Counts towards unmet housing production requirement, if any²
- In the aggregate, housing units assisted with redevelopment (RDA) funds must be affordable to very low-, and low-income households in at least the same proportion as the ratio of the number of units needed for these two income categories to the total number of units needed for very low-, low-, and moderate-income households, as determined by ABAG RNHD.

¹ Agency must replace any affordable housing units eliminated as a result of agency-funded activity

² Agency must ensure that 15% of all housing units built or substantially rehabilitated within the RDA are affordable to low- and moderate-income person, regardless of whether such activity is assisted by the Agency. Forty percent of the 15% (or 6% of total), must be affordable to very low-income households

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

- In the aggregate, housing units assisted with RDA funds must be available to persons regardless of age in at least the same proportion as the number of low-income households in the community with a member under age 65 to the total number of low-income households in the community, as determined by the most recent census.
- New and substantially rehabilitated³ rental units assisted with RDA funds must be restricted as affordable for minimum of 55 years
- New and substantially rehabilitated ownership units assisted with RDA funds must be restricted as affordable for minimum of 45 years
- 100% of non-substantially rehabilitated units must be restricted as affordable for reasonable period of time given level of assistance
- Transitional housing permitted with long-term affordability restrictions in place
- Prohibition against using housing set aside funds for emergency shelters
- Housing outside of RDA permitted only if finding of benefit to RDA

B. Land Assembly

- Agency will own land only for period reasonably necessary to return the land to productive reuse by private sector or other public agencies
- Property will be developed by another public or private entity based on established criteria & standards, as applicable
- Consistent with 5-Year Implementation Plan
- Disposition is for not less than highest and best use value or “fair reuse value” under terms of conveyance

C. Infrastructure Improvement

- Provided for in Redevelopment Plan
- Consistent with General Plan
- Consistent with 5-Year Implementation Plan
- No other reasonable means available to finance improvements
- Must eliminate blight and benefit project area
- Prohibition against use of funds for normal operation or maintenance of publicly-owned buildings, facilities, structures, or other improvements (except properties owned directly by Agency)

D. Private Development – Non Housing

- Loans only for commercial rehabilitation
- Loans or grants for seismic retrofitting
- Loans or grants for manufacturing facilities
- Land assembly/site preparation/land disposition to cause private sector reinvestment in underutilized sites
- Prohibition against use of funds for private construction costs

³ Rehabilitation cost at or above 25% of after—rehab value inclusive of land value
April 1, 2008

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E. Public Development (Land and Public Buildings and Facilities; Section 33445 Findings)

- Provided for in Redevelopment Plan
- Consistent with 5-Year Implementation Plan
- Consistent with General Plan
- Building, facilities, structures, or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located
- No other reasonable means available to finance development
- Payment of funds for the acquisition of land or the cost of buildings, facilities, or structures, or other improvements will assist in the elimination of one or more blighting conditions or provide housing for low- or moderate-income persons
- Prohibition against use of funds for normal operation or maintenance of publicly-owned buildings, facilities, structures, or other improvements (except properties owned directly by Agency)

F. Non-Capital/Planning/Marketing

- Promotes economic development and creates job opportunities, particularly for low-income persons residing within RDA
- Promotes elimination of blight
- Necessary to effectively and efficiently administer the RDA and implement the RDA Plan and 5-Year Implementation Plan

4. Does the proposed use meet local criteria and standards?

A. Affordable Housing Projects

In addition to meeting all applicable statutory requirements, housing projects must meet local criteria and standards to be approved for redevelopment assistance. The County will use the following criteria to evaluate housing projects proposed for redevelopment assistance.

Housing projects that develop new or preserve existing housing units affordable to and restricted for occupancy by low- and moderate-income households are a high priority for assistance.

- Housing projects will receive a higher priority for funding if they:
 - o Exceed the affordability requirements listed in 3.A. above
 - o Help meet replacement housing and project area housing production requirements
 - o Help County to satisfy the Housing Element Quantified Objectives
- Assistance for housing projects will be provided in the form of a loan
- Assistance must be secured by the appraised value of the property
- Assistance must meet all CDC underwriting criteria and locally-adopted lending policies

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

B, C, D, & E Non-Housing Capital Development Projects (Land Assembly, Infrastructure Improvements, Private Development, Public Development)

In addition to meeting all applicable statutory requirements, non-housing projects must meet local criteria and standards to be approved for redevelopment assistance. All non-housing capital development projects will be evaluated according to the following three-tiered structure that describes the local priorities, criteria, and standards that must be met to receive approval for redevelopment assistance.

Each project must demonstrate that it meets the standards in each of the three tiers to be approved for redevelopment assistance.

Tier 1: First, a project will be assessed to determine if it falls within one of the Tier 1 relative priority areas that will be considered for assistance.

Tier 2: If the project falls within one of the Tier 1 priority areas, it will next be assessed against Tier 2 eligibility criteria. The project must meet at least one of the eligibility criteria under Tier 2 to be eligible to receive assistance.

Tier 3: If the project meets one or more of the eligibility criteria, it will then be assessed using benefit indicators such as those listed under Tier 3. The information provided through the benefit indicators will be used by staff, advisory committees, and the Board of Supervisors to evaluate whether the project will provide a level of benefit that justifies the investment of the requested redevelopment funds.

1. Relative Priority of Projects

Several types of non-housing projects are eligible for redevelopment assistance under the State standards and criteria discussed above. Sonoma County has established additional standards and criteria that give a higher relative priority for assistance to certain types of projects, and a lower relative priority for assistance to other types of projects. In general, projects will be considered for assistance in accordance with the following relative priority structure:

Highest Priority Projects (most likely to receive assistance)

- Blight removal
- Public health⁴ and safety (e.g., buildings falling down, pedestrian crossings, flood/seismic hazard mitigation. Not medical clinics).
- Economic development and tourism / visitor-serving uses

Moderate Priority Projects (will require significant community benefit analysis to receive assistance)

- Public recreation the primary purpose of which is to remove blight and/or support economic development
- Natural environment preservation the primary purpose of which is to remove blight and/or support economic development

Lowest Priority Projects (least likely to receive assistance)

- Accommodate diverse households, preserve and foster diverse local character
- Mobility improvements
- Social issues, personal health issues, and support of programs, services, and neighborhood organizations

⁴ Public health addresses the health of the population as a whole rather than medical health care, which focuses on treatment of the individual ailment.

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

2. Eligibility Criteria

Non-housing projects must meet one or more of the following criteria to receive County redevelopment assistance. Projects meeting more than one of these criteria are more likely to receive assistance.

- Projects that will replace or improve deteriorated buildings and infrastructure
- Projects that will mitigate a public health or safety threat to the physical well-being of area residents and visitors
- Projects that will mitigate an environmental health hazard
- Projects that will correct a condition for which a government abatement action is pending
- Projects that will induce private investment in surrounding properties with goal of removing blight and/or economic development.
- Projects that establish recapture of redevelopment investment through:
 - o Increase in property values
 - o Increase sales tax revenue
 - o Increase transient occupancy tax revenue
 - o Repayment of redevelopment funds over time
- Projects that will have a direct impact on increased tourism
 - o Higher priority for increase in off-peak and mid-week visits
- Projects that will result in a significant number of new jobs for lower-income residents of the project area
- Projects that will also support development of affordable housing
- Projects that will maximize the leveraging of redevelopment funds with private debt and equity, and other governmental funds

3. Benefit Indicators

Requests for non-housing project assistance will be evaluated based on the project proponent's identification of specific indicators of benefit to the project area, such as those listed below. Additional indicators may be used, as appropriate, to demonstrate project benefit.

- How and to what extent blight condition will be mitigated
- How and to what extent health and safety will be improved
- Number of jobs to be created
- Number of persons to benefit from development
- Source and amount of gross income expected to be generated
- Projected increase in property tax paid
- Projected increase in sales tax revenue paid
- Projected increase in TOT generated
- Terms and conditions for repayment of redevelopment assistance
- Amount and source of other public/private funding leveraged
- Provision for long-term maintenance of development
- Savings in need for expenditure of other local government funds
- Number, type, and tenancy of affordable housing units that will be supported by development
- Capacity of project proponent to successfully complete and maintain the project
- Readiness to proceed
- Inability to proceed without redevelopment funding (particularly for public entities supported by tax or fee revenue)

SONOMA COUNTY POLICY GUIDANCE FOR USE OF REDEVELOPMENT FUNDS

F. Non-Capital/Planning/Administration/Marketing Activities

A minor amount of redevelopment funding may be expended for the following activities. Any projects funded under this category must be undertaken by the Redevelopment Agency either directly or through an administrative services agreement with an appropriate contractor. Approval of funds for costs in this category falls under the sole purview of the Community Development Commission, in its capacity as the governing body of the Sonoma County Community Redevelopment Agency.

- Planning and other general administration activities necessary for Redevelopment Agency to effectively administer and implement the Redevelopment Project
- Activities that will eliminate physical blighting conditions
- Activities that will eliminate economic blighting conditions, including significant level of crime reduction
- Marketing activities that are expected to result in increased tourism