# FIVE YEAR IMPLEMENTATION PLAN

# TOWN OF YUCCA VALLEY REDEVELOPMENT AGENCY

**2009-10 THROUGH 2013-14**

RSG

ADOPTED MAY 4, 2010

Town of Yucca Valley Redevelopment Agency

Chad Mayes, Chairperson

Lori Herbel, Board Member

Dawn Rowe, Board Member

George Huntington, Board Member

Frank Luckino, Board Member

John Tooker, Interim Executive Director

# ABOUT THIS IMPLEMENTATION PLAN

## Overview & Contents

In fulfillment of Article 16.5 of California Community Redevelopment Law ("CRL"), the Town of Yucca Valley Redevelopment Agency ("Agency") has prepared this Implementation Plan for the Yucca Valley Redevelopment Project Area 1 ("Project Area"). Included in this document are the Agency's anticipated redevelopment and affordable housing programs for fiscal years 2009-10 through 2013-14.

This Implementation Plan conforms to the Town of Yucca Valley's General Plan and in particular, the Housing Element of the General Plan.

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# INTRODUCTION

## About this Implementation Plan

Every five years, redevelopment agencies must adopt an implementation plan that establishes five-year operational and financial work programs for redevelopment and affordable housing activities. This Implementation Plan covers the five-year planning period for fiscal years 2009-10 through 2013-14, and it also updates the Agency's Housing Compliance Plan ("Housing Compliance Plan"); the Housing Compliance Plan outlines the Agency's affordable housing requirements for the 10-year compliance period (2004-05 to 2013-14) and over the life of the Redevelopment Plan.

### LEGAL AUTHORITY

In 1993, the Legislature passed Assembly Bill 1290 (Chapter 942, Statutes of 1993), which enacted the California Community Redevelopment Law Reform Act in an effort to increase both the effectiveness and accountability of redevelopment agencies. One notable change was the addition of Article 16.5 (§§33490 et seq.) to the CRL, which required redevelopment agencies to adopt five year implementation plans for all Project Areas on or before December 31, 1994, and every five years thereafter. CRL Section 33490(a) requires that the Implementation Plan address:

- The Agency's goals and objectives, programs, and projects for the next five years, including estimated expenditures.
- How the goals and objectives, programs, projects, and expenditures will eliminate blight and promote affordable housing within the Project Area.
- The Agency's housing responsibilities, including the Agency's requirements for producing and replacing affordable housing.

### IMPLEMENTATION PLAN OBJECTIVES

The Agency's objectives for this Implementation Plan are to:

- Establish focused redevelopment and housing strategies for the next five years that provide a roadmap for decision-making about resource allocation, budget, and community engagement.
- Create an administrative management tool that provides a measurable, track-able, and programmatic work plan for the Agency's operations.
- Provide educational and historical background about the Agency and its roles, powers, and redevelopment tools.
- Furnish data and information to preserve and produce affordable housing.

# ABOUT REDEVELOPMENT

Redevelopment is a process that assists city and county governments with eliminating blight from a designated area and achieving the desired development, reconstruction, and rehabilitation of residential, commercial, and industrial uses. Redevelopment agencies possess unique tools to directly influence the private sector, reduce investment risk, and create or boost market confidence. Some of the tools available to redevelopment agencies include:

- Use of tax increment financing to fund public improvements and use of gap financing to provide financial assistance to qualifying developers for qualifying projects.
- Authority to acquire real property, and, if necessary, use of eminent domain.
- Relocation assistance and replacement housing.
- Mitigation of environmental liabilities to property owners and developers through the Polanco Act (CRL Sections 33459 through 33459.8).

Although these tools can jumpstart the revitalization process, the CRL limits redevelopment to areas that are in a state of decline and are physically and economically blighted. To initiate redevelopment, the agency must satisfy certain requirements. These requirements are as follows:

- Establishment of a project area(s) in areas that are physically and economically blighted.
- Establishment of debt is a prerequisite to the collection and expenditure of tax increment.
- Set aside 20 percent of tax increment revenue to increase, improve, and preserve the supply of housing for very low, low, and moderate income persons and families.
- At least 15 percent of all new and substantially rehabilitated dwelling units in project areas must be affordable to, and occupied by, persons or families of very low, low, and moderate income.

By satisfying these requirements, redevelopment agencies can use their tools to effectuate the revitalization of urban areas. Once redevelopment efforts establish momentum in the market, the private sector can then dictate its own course thereby benefitting residents, business-owners, and visitors.

## Redevelopment By the Numbers:

**$40.79 billion.** Redevelopment's economic contribution to California in 2006-2007.

**$13.** Every $1 of redevelopment agency spending generates nearly $13 in total economic activity.

**303,946. Full and part time jobs** created in just one year (2006-2007).

**78,750 units** of affordable housing built or rehabilitated since 1995 by redevelopment agencies.

**18,522 units** of low and moderate income housing expected to be built or refurbished over the next two years.

**$2 billion.** State and local taxes generated through redevelopment construction activities in 2006-2007.

**20%** of property tax revenues generated from redevelopment activities must be used to increase supply of affordable housing.

**2nd largest** funder of affordable housing in California after the federal government.

*Source: California Redevelopment Association*

### ROLE OF REDEVELOPMENT

In 1945, the State of California enacted the CRL to combat the deterioration of property and its effects on the tax base. Through the Redevelopment Act, cities and counties were given authorization to establish redevelopment agencies that would have the legal authority to take measures to combat urban decay and blight. In 1952, California voters adopted Article XVI, Section 16, allowing tax increment financing to be used by agencies for the redevelopment of blighted communities. The goal of redevelopment to create safe and economically vibrant communities has remained steadfast since 1945.

## BLIGHT

The CRL emphasizes redevelopment's role in eliminating blighting conditions in communities and takes efforts to define blight. As defined by the CRL, blight constitutes physical and economic liabilities that affect the health, safety, and general welfare of a community. CRL Section 33030 describes a blighted area as being predominantly urbanized and substantially affected by the physical and economic properties of blight to such an extent that the community cannot reasonably be revived without redevelopment. The CRL describes the physical and economic conditions that cause blight as follows:

*Physical Conditions (CRL Section 33031(a))*

- Buildings with serious code violations, dilapidation, or deterioration such that it is unsafe or unhealthy for persons to live or work.
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots.
- Adjacent or nearby incompatible uses that prevent development.
- Existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes.

*Economic Conditions (CRL Section 33031(b))*

- Depreciated or stagnant property values.
- Impaired property values due to hazardous wastes.
- Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
- A serious lack of commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks.
- Serious residential overcrowding.
- An excess of bars, liquor stores, or adult-oriented businesses that have led to problems of public safety and welfare.
- A high crime rate that constitutes a threat to the public safety and welfare.

In accordance with the CRL and special allowances for creating project areas to respond to natural disasters, the Town of Yucca Valley determined in 1993 that the Project Area met all legal requirements. The Project Area also included one or more conditions of blight that required the use of redevelopment to remedy. These tools include the projects and programs established in this Implementation Plan.

## TAX INCREMENT FINANCING

Tax increment financing is the primary source of funding used to implement redevelopment initiatives. Tax increment financing is based upon the assumption that as a geographical area is revitalized, property values will increase, and additional property taxes will be generated. When a redevelopment project area is adopted, the current assessed values of all the properties within project area boundaries are designated as the base year value (§33328). As assessed values increase, tax increment revenue is generated from the growth in property values over the base year value. The increase in property values results in increased property tax revenue; a portion of the increased property tax revenue is

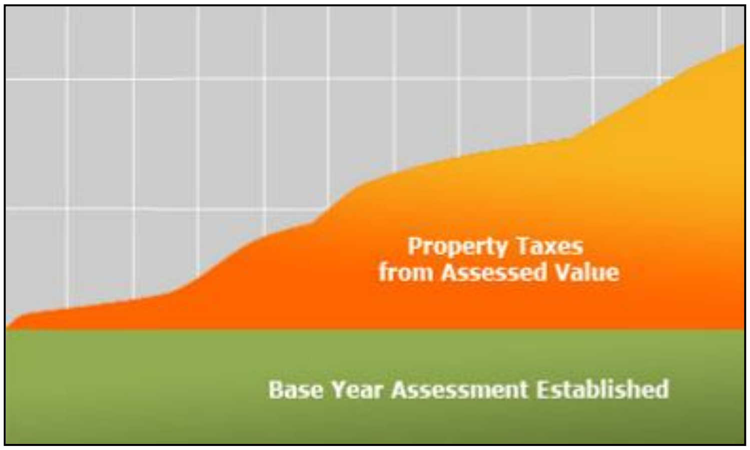



**FIGURE 1 – TAX INCREMENT**

allocated to a redevelopment agency (tax increment revenue) which is then charged with the responsibility of investing this revenue in the project area. Figure 1 is a graphical depiction of how tax increment is generated and distributed.

### LOW AND MODERATE INCOME HOUSING SET-ASIDE FUND

A portion of tax increment revenue received by a redevelopment agency must be used to preserve and increase the supply of affordable housing within a project area. The CRL requires that a minimum of 20 percent of tax increment revenue be set aside into a separate fund that is restricted for the purpose of creating low and moderate income housing (§33334.2), known as the Low and Moderate Income Housing Set-Aside Fund. Redevelopment agencies may use these funds to acquire property, construct on-site and off-site improvements (required to build or preserve affordable housing), construct or rehabilitate affordable housing, provide subsidies to ensure continued affordability, and issue bonds to raise capital for affordable housing preservation and development. Through this ability, redevelopment agencies are one of the primary entities producing affordable housing throughout the State.

### PASS-THROUGH PAYMENTS

Redevelopment agencies are required to remit tax increment revenue to affected taxing agencies (counties, school districts, community college districts, and special districts) that receive property tax revenue in redevelopment project areas. If a redevelopment agency does not have any negotiated pass-through payments, which were typically established in project areas created prior to 1994, the redevelopment agency pays statutory pass-through payments. The CRL establishes set formulas for statutory payments, which are approximately 20 percent of the tax increment generated in a redevelopment project area.

The remaining portion of the tax increment revenue, after the required 20 percent deposit into a housing fund and pass-through payments to taxing agencies, is available for eligible redevelopment projects such as infrastructure improvements, community facilities, development incentives, debt service, and general administration. Tax increment revenue cannot be used, however, to fund ongoing operations and maintenance costs of public facilities or infrastructure.

### WHAT IS A REDEVELOPMENT PLAN?

The redevelopment plan is a legal framework used by agencies for long-term planning and implementation of revitalization activities in project areas. The plan establishes financing methods to implement projects and policies and also sets the basic goals, powers, and time and financial limitations within which the agency must conduct its activities. Below is the framework in which most redevelopment plans are legally bound:

- The time limit to establish loans, advances, and indebtedness to be paid with the revenue from property taxes may not exceed 20 years from the adoption date of the redevelopment plan.
- Loans, advances, or indebtedness may be repaid over a 45-year period from the adoption of the redevelopment plan.
- The effectiveness of a redevelopment plan may not exceed 30 years from the adoption date.
- After the effectiveness of a redevelopment plan has expired, an agency has no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness and to enforce existing covenants and contracts.
- An agency may commence eminent domain proceedings to acquire property within the Project Area for a period not to exceed 12 years from the adoption date.
- If a redevelopment plan authorizes the issuance of bonds, the redevelopment plan should include a limit on the amount of bonded indebtedness that can be outstanding at one time.
- These time and financial limitations may be extended or increased only through an amendment to the redevelopment plan.

# EXECUTIVE SUMMARY

## What This Document Contains

Since the Project Area was adopted in 1993, the Agency has worked to remedy the physical, social, and economic blighting conditions in the Project Area. This Implementation Plan is the Agency's fourth Five-Year Implementation Plan; during the next five years the Agency will focus on implementing the following projects and programs:

IMPLEMENTATION ACTIONS

- Acquire property and engage in planning studies and activities relating to the Highway 62 Realignment project
- Implement improvements and programs outlined in the Old Town Specific Plan
- Design and implement a Façade Improvement Program to renovate storefronts
- Fund and implement a Branding Program to define the Town's identity and more effectively market the community
- Acquire and consolidate property for redevelopment and economic development
- Provide much needed public road, sidewalk, and median improvements through the Public Infrastructure Initiative
- Partner with a developer to construct age-restricted affordable housing units

The second portion of this Implementation Plan contains the Ten-Year Affordable Housing Compliance Plan in accordance with Section 33490(a) (2) of the CRL. The Compliance Plan presents the Agency's affordable housing production mandates, initiatives, and expenditures for the next five years, the ten-year planning period (2004-05 through 2013-14) of the Compliance Plan, and over the life of the Redevelopment Plan.

This Compliance Plan sets forth, among other things, the Agency's program for ensuring that the appropriate number of very low, low, and moderate income housing units will be produced as a result of new residential construction and/or substantial rehabilitation (of multi-family residential units) in the Project Area, and that expenditures from the Agency's Housing Fund be made in accordance with the CRL.

## ABOUT THE TOWN AND PROJECT AREA

**Who, What, Where, When, and Why**

The Town of Yucca Valley ("Town") traces its history back to the late 1800's when Mark Warren, an area rancher, was looking for a reliable source of drinking water for his cattle. The family dug a well and established Warren Ranch, which provided travelers in the Morongo Basin with much needed supplies. The well, known as Warren's Well and listed as a historic site by the State of California, is still located in the Town. The area continued to grow slowly, with an influx of homesteaders after World War II and further growth as a result of area roadway improvements.[1] The Town was incorporated on November 27, 1991, and faced a major environmental challenge less than one year later.

The Landers Earthquake struck the area on June 28, 1992. As a result, the Agency was established on September 3, 1992, to primarily respond to the damages from the earthquake and to provide mechanisms for economic recovery as a result of the devastated impact the earthquake had on public and private property. On August 5, 1993, the Agency adopted the Project Area, which includes two separate sub-areas:

- Downtown Subarea is generally defined as the commercial corridor along State Route 62, between Homestead Hill and Balsa Avenue. This subarea contains the Town's primary commercial business district and covers approximately 1,432 acres.
- East End Residential Subarea is generally located between State Route 62 on the north, Joshua Lane at San Andreas on the south, the extension of Indio north to State Route 62 on the east, and along Emerson, Frontera and Avalon moving south to north to State Route 62. This subarea contains a variety of residential uses and covers approximately 925 acres.

The Agency's primary goal continues to be eliminating blighting conditions in the Project Area and ensure the economic vitality of the Town through improvements to public infrastructure, commercial development, and affordable housing. Long-term revitalization activities are guided by the 40-year Redevelopment Plan for the Project Area. Redevelopment projects have included public facility and infrastructure improvements, affordable housing renovation and construction, and partnerships with private industry to create jobs and expand the local economy. Table 1 presents the current time and financial limitations contained in the Redevelopment Plan.

| Project Area No. 1 Redevelopment Plan Limits | Table 1 |
|---|---|
| Yucca Valley Redevelopment Agency | |
| Plan Adoption | August 5, 1993 |
| *Time Limitations* | |
| Final Date to Incur Indebtedness | August 5, 2013 |
| Final Date to Repay Indebtedness[1] | August 5, 2044 |
| Effectiveness of Redevelopment Plan[1] | August 5, 2034 |
| Final Date to Collect Tax Increment | August 5, 2044 |
| *Financial Limitations* | |
| Outstanding Bonding Indebtedness Limit | $ 27,500,000 |
| Cumulative Tax Increment Limit | $ 275,000,000 |

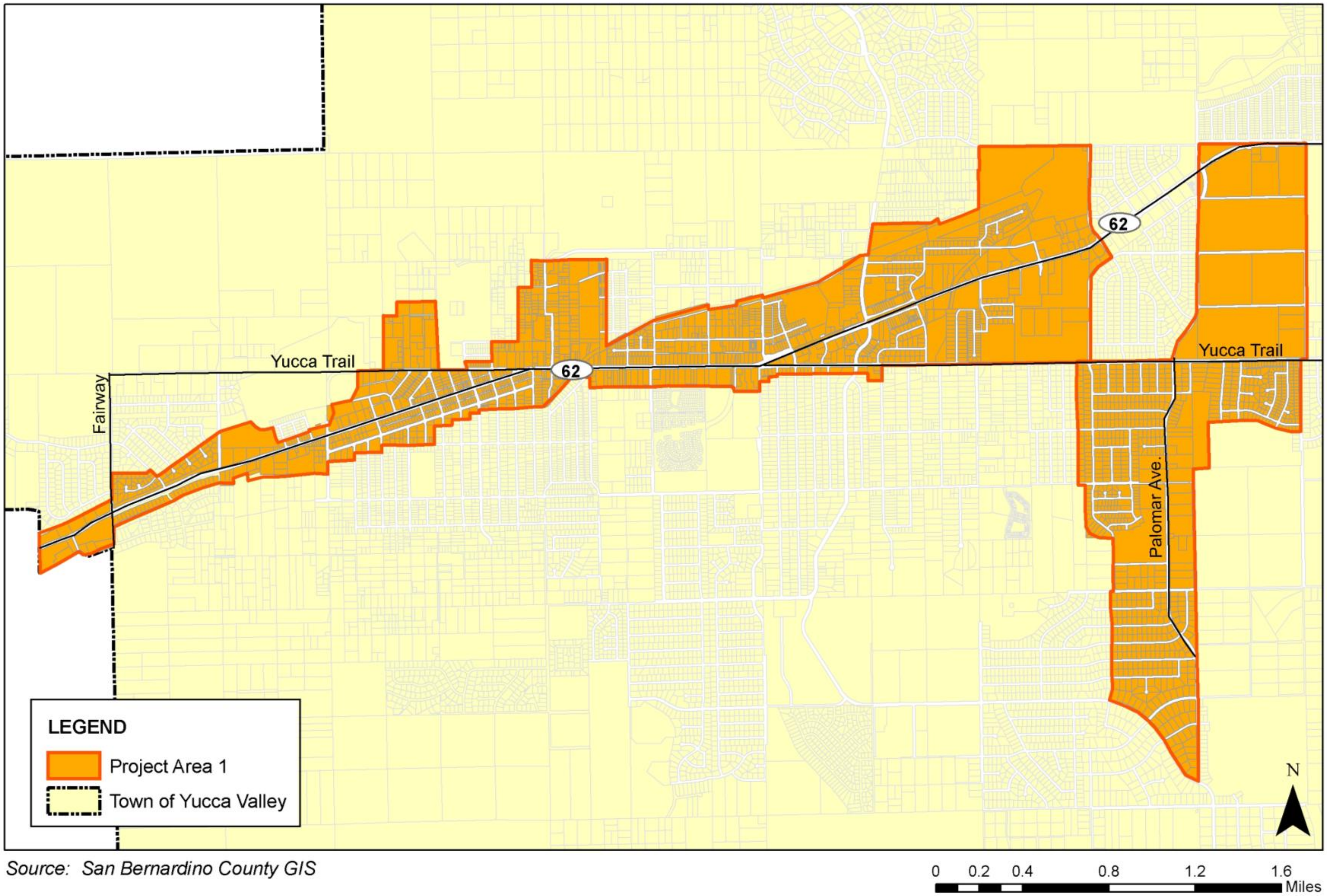
[1] Ordinance No. 152 adopted on May 6, 2004 per SB 1045, amended limits for an additional year.

*Source: Town of Yucca Valley*

[1] Information and photograph taken from Yucca Valley Chamber of Commerce website, www.yuccavalley.org

PROJECT AREA 1 FIGURE 2

YUCCA VALLEY REDEVELOPMENT AGENCY




*Source: San Bernardino County GIS*

# PURPOSE OF THE IMPLEMENTATION PLAN

**Planning for the Future**

This Implementation Plan supports the goals of the Redevelopment Plan, guides the Agency's activities and expenditures, and documents previous and future programs and projects. The following information is presented in this Implementation Plan:

- The goals and objectives that will guide the Agency's redevelopment and affordable housing implementation activities in the Project Area;
- The specific programs, projects, and expenditures for the five-year term (2009-10 through 2013-14) of this Implementation Plan;
- An explanation of how the projects and programs will eliminate blight in the Project Area;
- An explanation of how the Agency's affordable housing projects and expenditures will satisfy the low and moderate income housing requirements of the CRL;
- The number of housing units to be developed, rehabilitated, assisted, or destroyed throughout the term of the Redevelopment Plan;
- The Agency's plan to utilize the Housing Fund, including annual deposits, transfer of funds, or accruals for special projects;
- Identify those programs and projects that will result in the destruction of existing affordable housing (if any); and
- The Agency's Affordable Housing Compliance Plan.

# RECENT REDEVELOPMENT ACCOMPLISHMENTS

## The Public Value & Benefit of Redevelopment

In the last five years, the Agency has championed the following successful projects and programs:

Realignment of State Route 62. The Agency provided financial assistance to the preparation of plans for the realignment of SR-62 as identified in the Old Town Specific Plan. The project will realign SR-62 to the north between Kickapoo Trail and Acoma Trail, and add 15-foot wide sidewalks and landscaped medians. The overall realignment is proposed from Camino Del Cielo, just west of Palm Avenue. The Project Study Report ("PSR") for the project was approved by Caltrans in May 2007. The project is currently in the environmental analysis phase and preliminary alignment plans are being prepared. The remaining highway segment resulting from the proposed realignment would be relinquished to the Town of Yucca Valley/Yucca Valley Redevelopment Agency, and would be subject to the Old Town Specific Plan improvements. These improvements would include, but not limited to, roadway narrowing and widening of sidewalks.

The realignment of SR-62 is an essential component of the implementation of the Old Town Specific Plan; allowing the creation of a pedestrian-oriented district in Old Town. Creating a pedestrian-friendly environment is essential for business attraction and supporting revitalization of existing structures. These improvements in Old Town will in turn increase employment opportunities and economic activities in an area that currently exhibits signs of blight due to the lack of suitable infrastructure and privately-developed properties.

Implementation of the Old Town Specific Plan Through Property Acquisition. The Agency initiated property acquisition in three programmatic areas in the Old Town area. The first property acquisition program is directly linked to the realignment of SR-62 around Old Town. The Agency initiated the evaluation of specific parcels necessary for the realignment of SR-62 and entered into property negotiations for the acquisition of properties.

The second property acquisition program is directly linked to the future relocation of the Hi Desert Nature Museum and the Yucca Valley Branch of the San Bernardino County Library. The Agency acquired seven (7) properties for the future development of the Hi Desert Nature Museum/Library project in Old Town. The development of these public facilities will assist in creating a focal point for the area and draw residents, tourists and visitors to Old Town thereby increasing the viability of additional business development and blight elimination.

The third property acquisition program is directly linked to facilitating private development as well as opportunities for future public facilities, including common parking areas and pedestrian-oriented open spaces. Four (4) properties were acquired by the Agency that are positioned to provide for either public or private investment, revitalization, and blight elimination.

Activities Relating to Creation of Affordable Housing – Serenity Village. The Agency, in conjunction with the private sector, has been evaluating the Serenity Village affordable housing project. The conceptual project would include up to 80 dwelling units, restricted at affordable rents for a minimum of 55 years, and would be developed in a minimum of two phases. The Agency has been, and continues to evaluate alternative financing sources to assist in facilitating the development of the project. The Agency has also assisted with preliminary site plan designs and related site development issues.

## REDEVELOPMENT PLAN GOALS

### Community Reinvestment and Revitalization

Adopted in 1993, the Redevelopment Plan established a variety of goals for redevelopment of the Project Area; these goals frame the redevelopment objectives for the Implementation Plan. The Redevelopment Plan goals are listed below:

**WORK** — Encourage Employment Opportunities.

**INVEST** — Provide for the Rehabilitation of Commercial Structures and Residential Dwelling Units.

**COLLABORATE** — Encourage Redevelopment Through Owner Participation, Cooperation of Private Enterprise and Public Agencies.

**PROTECT** — Provide for the Management of Property Owned or Acquired by the Agency.

**UNITE** — Provide Relocation Assistance.

**ACCESS** — Provide Public Improvements.

GROW

Acquire and Assemble Real Property.

GO

Dispose of Real Property Acquired by the Agency.

LIVE

**Affordable Housing.** Consistent with Redevelopment Law, increase, improve, and expand the community's supply of affordable housing.

# PROPOSED REDEVELOPMENT PROGRAM

## Five Year Work Program for Reinvestment & Revitalization

Over the next five years, the Agency plans to implement the following redevelopment projects and programs. The list below describes the projects proposed, what blighting conditions would be eliminated, approximate costs, and the Redevelopment Plan goals that would be achieved.[2]

| Project/Description | Preliminary Cost Estimates | Goals Achieved |
|---|---|---|
| **Highway 62 Realignment**<br>The realignment of SR-62 is a top priority. The Agency will participate in this process by funding required transportation and environmental studies, acquiring needed right-of-way, and mitigating other impacts of the realignment project.<br>Completion of this project would improve public infrastructure. Improvements and will attract both businesses and visitors to the Old Town area, spurring economic development in the Project Area.<br>*Timeframe........................................................2009-10 through 2013-14* | $3,120,000 | INVEST<br>ACCESS<br>GROW |
| **Implement Old Town Specific Plan**<br>The Agency will implement the Plan's economic development and housing objectives. This may include installing trash receptacles, directional signage, benches, and street and pathway illumination.<br>Completion of this project will help create new jobs and will boost the local economy by attracting new businesses to the area.<br>*Timeframe........................................................2009-10 through 2013-14* | $600,000 | GROW<br>COLLABORATE |
| **Façade Improvement Program**<br>The Façade Improvement Program (FIP) will provide business and property owners an opportunity to rehabilitate dilapidated buildings. The Agency will provide matching funds to facilitate exterior façade improvements which can increase business exposure and pedestrian traffic, and enliven older, commercial districts.<br>Completion of this project will help improve unsafe and unhealthy structures, alleviate visual blight and depreciated or stagnant property values, provide architectural continuity, and eliminate factors hindering economically viable uses.<br>*Timeframe........................................................2009-10 through 2013-14* | $400,000 | COLLABORATE |

[2] Costs are subject to change, and completion of these projects may require future action by the Agency.

| Project/Description | Preliminary Cost Estimates | Goals Achieved |
|---|---|---|
| **Branding & Marketing Program**<br>As the Town continues to grow and prosper, a unifying marketing and branding strategy is needed to help shape the Town's image. This branding strategy will be developed and help the Town define how it will market itself and attract visitors and investors. The Agency will fund this effort that will identify the community's assets by gathering input from residents and stakeholders, as well as graphic concepts to be used in future marketing campaigns. Completion of this project will help create new jobs and will boost the local economy of the community by attracting new businesses and residents to the area.<br>*Timeframe........................................................................2009-10 through 2013-14* | $50,000 | INVEST<br>GROW |
| **Land Acquisition**<br>The Agency has strategic plans to acquire and consolidate critical parcels for future public facilities, including the Yucca Valley Branch of the San Bernardino County Library and Hi Desert Nature Museum as well as to market the assembled parcels to local businesses and developers. Completion of this program will help alleviate conditions that prevent or substantially hinder the physical and economic viability of buildings and lots.<br>*Timeframe........................................................................2009-10 through 2013-14* | $1,480,000 | GROW<br>GO |
| **Public Infrastructure Program**<br>The Agency will participate in the ongoing initiative to install sidewalks, traffic-calming medians, and other motor and pedestrian circulation system improvements. The initial activities will occur primarily in the Old Town area and along Highway 62. This project will provide necessary repairs to the street systems and facilitate the safe and efficient movement of traffic and allow storm water to drain more efficiently.<br>*Timeframe........................................................................2009-10 through 2013-14* | $3,000,000 | INVEST<br>ACCESS |
| **Expand Project Area**<br>The Agency will evaluate the legal and financial viability of adding territory to the Project Area. If this analysis determines that adding territory can be justified, to address blight, the Agency would then fund a Redevelopment Plan amendment. Completion of this program will help alleviate conditions of physical and economic blight in the Project Area and Town.<br>*Timeframe........................................................................2009-10 through 2010-11* | $250,000 | INVEST<br>ACCESS |
| **Total Estimated Agency Contribution for Non-Housing Programs** | **$8,900,000** | |

# PROPOSED AFFORDABLE HOUSING PROGRAMS

**Five Year Work Program for Balanced Communities**

Over the next five years, the Agency plans to implement the following affordable housing projects and programs. The list below describes the projects proposed, what blighting conditions would be eliminated, approximate costs, and the Redevelopment Plan goals that would be achieved. Additionally, the Agency has estimated the number of affordable units that may be assisted by each project and program listed.

| Project/Description | Preliminary Cost Estimates | Goals Achieved |
|---|---|---|
| **Serenity Village**<br><br>The Agency is working with a developer to construct a multi-phase senior affordable housing development. The first phase will include 30-units and would be affordable to very low senior households. The Agency may provide additional financial assistance to this development as part of Phase 2 of the project. Completion of this project would create affordable housing. Completion of this project would create affordable housing.<br><br>*Timeframe.......................................................................2009-10 through 2011-12* | $4,700,000[3] | LIVE |
| **Agency Housing Assistance Programs**<br><br>The Agency will provide financial housing assistance via programs such as the Mortgage Assistance Program to assist very low, low or moderate-income households through grants for down payments and closing costs, Home Improvement grants to assist very low and low-income homeowners in improvement of their property, and work with privately funded housing programs such as Habitat for Humanity to encourage the construction of ownership units. Completion of this project would eliminate blighted residential properties in the Project Area and create decent, safe, and sanitary affordable housing.<br><br>*Timeframe.........................................................................2009-10 through 2013-14* | $1,850,000 | LIVE |
| **Total Estimated Agency Contribution for Housing Programs** | **$6,550,000[4]** | |

[3] Total Agency assistance for Serenity Village is being considered at $4,700,000. Of this amount, $1,500,000 of this amount would be funded from the Housing Fund, and $3,200,000 would be funded by a future housing bond.
[4] These contributions would include funds from the Housing Fund and a future housing bond.

# NON-HOUSING FUND CASH FLOW

## Projected Revenues and Expenditures

The non-housing fund receives 80 percent of the tax increment allocated to the Agency. The negotiated pass-through payments made to taxing agencies are paid from this fund. Remaining revenues are used for the projects described in the previous section as well as the administrative support needed to complete the projects, including staff and consultants. Table 2 identifies the anticipated revenues and expenditures for the non-housing fund over the Implementation Plan period.

Tax increment revenues are based upon 2009-10 assessed values and decline over the next five years given the four percent decline in secured property values from 2008-09 to 2009-10. Interest earnings are assumed at one percent of the average balance. Administration, operation, and supply expenditures are assumed to increase approximately five percent per year, based on historical rates. On July 1, 2009, the Agency had a non-housing fund balance of approximately $10,997,228. Total tax increment revenues, net of deposits to the Housing Fund, during the planning period are anticipated to be approximately $8,181,986. Expenditures for projects, debt service, and administration are projected to be $15,128,841 as shown in Table 2 on the following page.

### STATE TAKEAWAYS – SERAF PAYMENTS

Due to the State of California's effort to balance the FY 2009-10 State Budget, the State approved the budget relying on a $2.05 billion ERAF[5] shift from redevelopment agencies over the next two years ("AB 26"). These funds will be distributed to local school districts and will reduce the amount of State general fund revenue required to achieve Proposition 98 school funding needs. The additional shift to ERAF (now called the Supplemental Educational Revenue Augmentation Fund, or "SERAF") is estimated to result in a total payment for the Agency of $767,635; $636,679 in fiscal year 2009-10 and $130,956 in fiscal year 2010-11. Efforts have been mounted to legally challenge the constitutionality of these takeaways; the five year cash flow presented in Table 2 on the following page includes a line item for these payments.

AB 26 provides that an agency may use certain funds allocable to the Housing Fund to make such payments, however, those amounts are required to be repaid by the end of the fifth fiscal year in which the borrowing occurs or be subject to a 30 percent housing set-aside mandate for the remaining life of the redevelopment plan. At the January 19, 2010, Redevelopment Agency meeting, the Agency Board adopted a resolution indicating the Agency's intent to remit the 2009-10 SERAF payment of $636,679 from the Housing Set-Aside Fund and will repay the amount back to the Housing Set-Aside Fund no later than 2014-15 if the shift of tax increment from redevelopment is determined to be constitutional. The Housing Set-Aside Fund will be repaid from Non-Housing revenue over a four year period. The Agency has also determined that the 2010-11 SERAF payment of $130,956 would be made from the Non-Housing Fund. While non-housing projects and programs could potentially be threatened by reimbursing the Housing Fund and making the 2010-11 SERAF payment, the Non-Housing Fund would have sufficient revenues on hand to make these payments. These potential outlays have been reflected in the Non-Housing Cash Flow in Table 2 on the following page.

[5] Educational Revenue Augmentation Fund

Non-Housing Fund Cash Flow Projections 2009-10 to 2013-14 — Table 2

Yucca Valley Redevelopment Agency

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 5-Year Total |
|---|---|---|---|---|---|---|
| Available Cash Balance | $ 10,997,228 | $ 8,848,873 | $ 6,098,049 | $ 4,074,555 | $ 2,195,955 | |
| *Revenue* | | | | | | |
| 80% of Increment[1] | 1,841,078 | 1,672,716 | 1,576,750 | 1,545,721 | 1,545,721 | 8,181,986 |
| Pass Through Payments | (865,000) | (822,000) | (797,000) | (789,000) | (789,000) | (4,062,000) |
| Interest Income | 95,000 | 88,489 | 60,980 | 40,746 | 21,960 | 307,174 |
| **Total Revenue** | **1,071,078** | **939,205** | **840,730** | **797,467** | **778,681** | **4,427,160** |
| *Expenditures* | | | | | | |
| Housing Fund Reimbursement[2] | - | 159,170 | 159,170 | 159,170 | 159,170 | 636,679 |
| SERAF Payment[3] | - | 130,956 | - | - | - | 130,956 |
| County Administration Charge | 35,441 | 32,200 | 30,352 | 29,755 | 29,755 | 157,503 |
| Debt Service and Interest | 738,993 | 737,703 | 735,703 | 738,143 | 735,163 | 3,685,703 |
| Agency Administration and Planning | 245,000 | 330,000 | 339,000 | 349,000 | 355,000 | 1,618,000 |
| Projects and Programs | 2,200,000 | 2,300,000 | 1,600,000 | 1,400,000 | 1,400,000 | 8,900,000 |
| **Total Expenditures** | **3,219,434** | **3,690,028** | **2,864,224** | **2,676,067** | **2,679,087** | **15,128,841** |
| Net Cash Flow | (2,148,356) | (2,750,824) | (2,023,494) | (1,878,601) | (1,900,407) | (10,701,680) |
| Ending Fund Balance | 8,848,873 | 6,098,049 | 4,074,555 | 2,195,955 | 295,548 | **295,548** |

[1] Estimated Non-Housing Fund deposits based on RSG Tax Increment Revenue Projections for the Project Area. The growth rates vary by fiscal year: 2009-10 -4%, 2010-11 -5%, 2011-12 -3%, 2012-13 -1%, 2013-14 0%.

[2] This payment would reimburse the Housing Fund for the pending 2009-10 SERAF payment if the shift of tax increment from redevelopment is determined to be constitutional.

[3] The Agency has determined the 2010-11 SERAF payment of $130,956 will be paid directly from the Non Housing Fund if the shift of tax increment from redevelopment is determined to be constitutional.

*Source: Town of Yucca Valley*

# AFFORDABLE HOUSING COMPLIANCE PLAN UPDATE

FY 2004-05 THROUGH 2013-14

# HOUSING PROGRAM COMPLIANCE OBJECTIVES

**Who, What, Where, When, and How Much**

The CRL requires all redevelopment agencies to prepare and adopt affordable housing compliance plans on a ten year cycle, with updates corresponding with adoption of their five year implementation plans. The housing compliance plan must identify how a redevelopment agency will achieve the affordable housing production requirements for its redevelopment project area. The housing compliance plan must be consistent with the jurisdiction's housing element and must also be reviewed and, if necessary, amended at least every five years in conjunction with the cyclical preparation of the housing element or the agency's five year implementation plan. This section of the Implementation Plan, referred to as the Housing Compliance Plan, addresses specific requirements in the CRL with respect to prior affordable housing activities and the anticipated housing program for the current ten-year planning period (fiscal years 2004-05 to 2013-14) ("Compliance Period"). This Housing Compliance Plan amends the Affordable Housing Compliance Plan adopted in June 2005, and presents an updated affordable housing plan through the duration of the Compliance Period. Additionally, the Housing Compliance Plan evaluates the Agency's affordable housing requirements for the next ten years (2009-10 to 2018-19) and the life of the Redevelopment Plan.

The Agency is required by the CRL to set aside 20 percent of the tax increment revenue it receives from the Project Area into a special fund to be utilized to increase and improve the community's supply of affordable housing to targeted income groups. The Agency has the authority to expend the Housing Fund dollars either inside or outside the Project Area to more effectively meet housing program objectives.[6]

Redevelopment agencies use implementation plans to establish ten-year objectives to achieve compliance with State law in its affordable housing programs. These housing goals generally fall into three categories:

- Housing Production – based on the number of housing units constructed or substantially rehabilitated over a ten year period, a redevelopment agency is to ensure that a percentage of these units are affordable to low and moderate income households.
- Replacement Housing – an obligation for redevelopment agencies to ensure that any housing units destroyed or removed as a result of an agency redevelopment project are replaced within four years.
- Expenditures by Household Types – specific requirements on the amount of housing set-aside funds an agency must spend over a ten year period on housing affordable to very low income households, low income households, and housing for residents under the age of 65.

## Housing Production

This Housing Compliance Plan identifies all new residential construction or substantial rehabilitation that has occurred within the Project Area since adoption of the Redevelopment Plan in order to determine affordable housing production needs. It accounts for past residential construction and substantial rehabilitation, and includes projects with new dwelling units that may be constructed or substantially rehabilitated during the current ten-year planning period which extends through June 30, 2014.

Table 3 on the following page summarizes the Agency's past production activities including the first five years of the current housing compliance period and identifies the projected production

[6] Section 33413(b) (2) (A) (ii) of the CRL provides that the Agency's obligations under Section 33413 of the CRL may be met by providing affordable housing outside the project area on a two-for-one basis. During the adoption process for the Project Area, the Agency adopted a resolution that allows the Agency to expend its twenty percent (20%) housing set-aside money outside of the Project Area.

requirements for the Compliance Period and over the life of the Redevelopment Plan. Historical construction and substantial rehabilitation statistics were provided by the Agency. The number of affordable units required is based on statutory thresholds, and the Agency is responsible for ensuring that the appropriate number of affordable units is created during a ten year period.

It should be noted that neither the housing units nor projections for future dwelling units include any units to be developed by the Agency. However, the Agency will cooperate with and provide assistance and incentives to private developers in order to fulfill the Agency's affordable housing production requirements.

Since 1976, redevelopment agencies have been required to ensure that at least 30 percent of all new or substantially rehabilitated units developed by an agency are available at affordable costs to households of very low, low, or moderate income. Of this 30 percent, not less than 50 percent are required to be available at affordable costs to very low income households. Further, for all units developed in the project area by entities other than an agency, the CRL requires that at least 15 percent of all new or substantially rehabilitated dwelling units within the project area be made available at affordable costs to very low, low or moderate income households. Of these, not less than 40 percent of the dwelling units are required to be available at affordable costs to very low income households. In addition, to satisfy the Agency's production requirements, new or substantially rehabilitated units must have recorded 45-year income restrictions or covenants for rental units and 55-year income restrictions or covenants for owner-occupied units. The affordable housing units may be constructed inside or outside of the Project Area, but units outside of the Project Area may only by counted on a 2-for-1 basis. The Agency may also purchase affordability covenants on very low or low income multifamily units.

To estimate the number of housing units that need to be affordable to low and moderate income households, the Agency estimated the total number of units to be constructed or substantially rehabilitated in the Project Area and applied formulas established by the CRL. The following inclusionary housing analysis takes into account all residential construction or substantial rehabilitation that occurred within the Project Area since the Project Area's adoption to determine affordable housing production needs, including figures for existing residential construction and substantial rehabilitation, and projections for the number of additional dwelling units to be constructed or substantially rehabilitated during the Compliance Period, the next ten years, and over the life of the Redevelopment Plan.

Actual and Projected Housing Production Need by Time Period — Table 3
Yucca Valley Redevelopment Agency

| Time Period | Units Built within Project Area | Required Affordable Units Total | Required Affordable Units Very Low |
|---|---|---|---|
| Date of Adoption through 2003-04 | 196 | 30 | 12 |
| **Ten Year Planning Period** | **236** | **37** | **16** |
| 2004-05 to 2008-09 (Actual)[1] | 89 | 14 | 6 |
| 2009-10 to 2013-14 (Forecast)[2] | 147 | 23 | 10 |
| 2014-15 to 2018-19 (Forecast)[2] | 147 | 23 | 10 |
| 2019-20 to 2034-35 (Forecast)[2] | 470 | 71 | 29 |
| **Redevelopment Plan Duration (1993-2035)** | **1,049** | **161** | **67** |

[1] Town of Yucca Valley

[2] Forecasts of housing production based on residential development buildout in the Project Area.

*Source: Town of Yucca Valley*

## PLANNING AND PERIOD PRODUCTION NEEDS

Table 4 below summarizes the production goals over various time periods as required by the CRL. The number of affordable units required is based on statutory thresholds, and the Agency is responsible for ensuring that the appropriate number of affordable units is created during the Compliance Period.

Fulfillment of Affordable Housing Production Requirements by Time Period — Table 4
Yucca Valley Redevelopment Agency

| Time Period | Units Required (from Table 3) Total | Units Required (from Table 3) Very Low | Units Produced Total | Units Produced Very Low | Surplus / (Needed) Total | Surplus / (Needed) Very Low |
|---|---|---|---|---|---|---|
| Plan Adoption Through 2003-04 | 30 | 12 | 0 | 0 | (30) | (12) |
| **10 Year Planning Period (2004-05 through 2013-14)** | **37** | **16** | **30** | **7** | **(7)** | **(9)** |
| FY 2004-05 - 2008-09 (Actual) | 14 | 6 | 0 | 0 | (14) | (6) |
| FY 2009-10 - 2013-14 (Forecast)[1] | 23 | 10 | 30 | 7 | 7 | (3) |
| **Total Units Through 2013-14** | **67** | **28** | **30** | **7** | **(37)** | **(21)** |
| 2014-15 to 2018-19 (Forecast) | 23 | 10 | 60 | 19 | 37 | 9 |
| 2019-20 to 2034-35 (Forecast) | 71 | 29 | 71 | 41 | 0 | 12 |
| **Redevelopment Plan Duration (1993-2035)** | **161** | **67** | **161** | **67** | **0** | **0** |

[1] The project producing these units is Serenity Village.

*Source: Town of Yucca Valley*

As indicated in Table 4, there have been no affordable units produced in the Project Area since the Redevelopment Plan was adopted. Since the Redevelopment Plan was adopted through 2008-09, the Agency was required to produce 44 affordable units and 18 very low income units.

During the next five years of the current Compliance Period (2009-10 through 2013-14) the Town anticipates 147 units to be produced in the Project Area.[7] Based on the 147 units anticipated to be produced over the next five years, 23 of these units would need to be affordable with 10 of these units affordable to very low income households. The completion of the Serenity Village project would yield 30 affordable units with the mixture of affordable units to be determined; this project would contribute to the fulfillment of the Agency's affordable housing production requirements.

The Agency will continue to pursue residential construction and revitalization opportunities, in an effort to address the identified affordable housing production needs for the Project Area.

## REPLACEMENT HOUSING

The CRL requires that whenever housing occupied by very low, low, and moderate income persons or households are destroyed as part of an Agency project, the Agency is responsible for ensuring that an equivalent number of replacement units are constructed or substantially rehabilitated. These units must provide at least the same number of bedrooms destroyed, and 100 percent of the replacement units must be affordable to the same income categories (i.e. very low, low, and moderate) as those removed. The Agency receives a full credit for replacement units created inside or outside the Project Area.

No affordable dwellings have been destroyed by Agency activities. Additionally, no units are expected to be destroyed or removed as a part of an Agency project during the current Compliance Period.

## LOW AND MODERATE INCOME HOUSING FUND

The Agency's primary source of funding for housing projects and programs is the annual deposit of 20 percent of its tax increment revenue into the Housing Fund. The CRL requires that these funds be used to increase, improve, and preserve the community's supply of affordable housing available, to persons and families of very low, low, and moderate incomes. Table 5 presents a projection of Housing Fund revenues and estimated expenditures, including the amounts that may be available for housing production activities over the remainder of the Compliance Period.

### State Takeaways – SERAF Payments

As detailed in the Non-Housing Section of this Implementation Plan on page 11, the Agency Board adopted a resolution on January 19, 2010, indicating the Agency's intent to remit the 2009-10 SERAF payment of $636,679 from the Housing Set-Aside Fund and will repay the amount back no later than 2014-15 if the shift of tax increment from redevelopment is determined to be constitutional. The Agency contemplates this reimbursement to occur over a four year period from 2010-11 through 2013-14. The potential 2009-10 SERAF payment and the ensuing reimbursement of Non-Housing Revenue back into the Housing Fund has been accounted for in the Housing Fund Cash Flow Analysis in Table 5 on the following page.

[7] The total residential development build-out in the Project Area is estimated at approximately 1,792 units. Of these 1,791 units, a total of 941 residential units have been built, leaving a potential for 763 additional units for the remaining life of the Redevelopment Plan.

Housing Fund Cash Flow Analysis — Table 5
Yucca Valley Redevelopment Agency

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 5-Year Total |
|---|---|---|---|---|---|---|
| Available Cash Balance | $1,801,734 | $1,585,324 | $610,276 | $348,074 | $221,909 | |
| *Revenue* | | | | | | |
| 20% Housing Set Aside[1] | 460,269 | 418,179 | 394,188 | 386,430 | 386,430 | 2,045,496 |
| Housing Bond Proceeds[4] | 0 | 3,200,000 | 0 | 0 | 0 | 3,200,000 |
| Interest & Investment Income | 25,000 | 15,853 | 6,103 | 3,481 | 2,219 | 52,656 |
| SERAF Payment Reimbursement[2] | - | 159,170 | 159,170 | 159,170 | 159,170 | 636,679 |
| Total Revenue | 485,269 | 3,793,202 | 559,461 | 549,080 | 547,819 | 5,934,831 |
| *Expenses/Encumbrances* | | | | | | |
| Pending SERAF Payment[3] | 636,679 | - | - | - | - | 636,679 |
| Admin & Planning | 65,000 | 68,250 | 71,663 | 75,246 | 79,008 | 359,166 |
| Projects & Programs | - | 4,700,000 | 750,000 | 600,000 | 500,000 | 6,550,000 |
| Total Expenditures | 701,679 | 4,768,250 | 821,663 | 675,246 | 579,008 | 7,545,845 |
| Net Cash Flow | ($216,410) | ($975,048) | ($262,202) | ($126,165) | ($31,189) | ($1,611,014) |
| Ending Available Balance | $1,585,324 | $610,276 | $348,074 | $221,909 | $190,720 | $190,720 |

[1] Estimated Housing Fund deposits based on RSG Tax Increment Revenue Projections for the Project Area. The growth rates vary by fiscal year: 2009-10 -4%, 2010-11 -5%, 2011-12 -3%, 2012-13 -1%, 2013-14 0%.

[2] These payments come from the Non-Housing Fund to reimburse the Housing Fund for the pending SERAF payment if the shift of tax increment from redevelopment is determined to be constitutional.

[3] The Agency intends to remit the 2009-10 SERAF payment of $636,679 from the Housing Set-Aside Fund and will repay the amount back from the Non-Housing Fund no later than 2014-15 if the shift of tax increment from redevelopment is determined to be constitutional.

[4] Assumes the issuance of a future housing bond.

*Source: Town of Yucca Valley*

The Agency has projected the future cash flow for the Housing Fund for the next five years. As shown in Table 5, it is assumed that the 20 percent of increment deposit to the Housing Fund will decline over the next five years given the 4 percent decline from 2008-09 to 2009-10. Interest earnings are assumed at 1 percent of the average balance. Administration and planning expenditures as assumed to grow at an annual rate of 5 percent.

Beginning on July 1, 2009, the Agency had a Housing Fund balance of approximately $1,801,734. The Agency anticipates the issuance of a $3.2 million housing bond during 2010-11. After administration and planning costs, it is estimated that over the remainder of the Compliance Period the Agency will have $6,550,000 to spend on budgeted programs and future housing projects; of this amount the Agency has allocated $4,700,000 to an anticipated project, Serenity Village[8], and $1,850,000 to other housing projects. The result of these projects would, leave the Agency with an ending cash balance of $190,720 as shown in Table 5.

## EXPENDITURES BY HOUSEHOLD TYPES

At a minimum, the Agency's low and moderate income housing set aside revenue is to be expended in proportion to the community's need for very low and low income housing, as well as the proportion of the population under the age of 65.

[8] It should be noted that total Agency assistance for Serenity Village is currently being contemplated at $4.7 million. Of the $4.7 million, $1.5 million would come from the Housing Fund as reflected in Table 5, and the remaining $3.2 million would come from the issuance of a future housing bond.

Pursuant to Section 33334.4(a) of the CRL, Housing Fund expenditures must be expended to assist housing for persons of very low and low income households in at least the same proportion as the total number of very low and low income persons within the community, as determined by the Regional Housing Need Assessment ("RHNA"). The Town's 2007 RHNA number, prepared by the Southern California Association of Governments, reflect a Town-wide need for 560 very low and 399 low income units, of which the Agency anticipates 30 very low income units to be produced over the period. For the Housing Fund expenditure purposes, the remaining RHNA numbers reflect a minimum proportional expenditure obligation of 39.1 percent for very low and 27.8 percent for low income households, while a maximum of 33.1 percent may be expended to assist moderate or above income households, as shown in Table 6.

Pursuant to Section 33334.4(b) of the CRL, Housing Fund expenditures used to assist housing that is available to all persons regardless of age be in at least the same proportion as the number of low income households with a member under the age 65 years bears to the total number of low income households of the community as reported in the most recent Census. The percentage of low income households under the age of 65 is based on Comprehensive Housing Affordability Strategy ("CHAS") reports of 2000 Census data as required by SB 527 adopted in 2005. CHAS uses an extrapolation of Census data to calculate the number of low income households with a member over the age 62; which is the data that may be the closest to that which is required by the CRL and therefore, used in this Compliance Plan. Accordingly, 45.8 percent of the Town's Census 2000 very low and low income households had a member which was over the age of 62, thus 45.8 percent of the Housing Fund monies must be expended to provide housing for households aged 62 and older, and 54.2 percent of the Agency's available Housing Fund monies must be expended to assist non age-restricted housing. The legislative intent of the CRL is to limit the amount of Housing Fund monies that a community may spend to assist the development of age-restricted senior housing units to the detriment of developing affordable family housing units.

Housing Fund Proportional Expenditure — Table 6
Yucca Valley Redevelopment Agency

| Income Level | RHNA Allocation (Units)[1] | Targeting Requirement (% of Total) | First 5 Years 2004-05 to 2008-09 Actual Expenditure | % | Second 5 Years 2009-10 to 2013-14 Estimated Expenditure | % | 10-Year Period 2004-05 to 2013-14 Estimated Expenditure | % |
|---|---|---|---|---|---|---|---|---|
| Very Low (minimum) | 560 | 39.1% | - | - | 2,221,667 | 33.9% | 2,221,667 | 33.9% |
| Low (minimum) | 399 | 27.8% | - | - | 1,821,667 | 27.8% | 1,821,667 | 27.8% |
| Moderate/ Unrestricted | 474 | 33.1% | - | - | 2,506,667 | 38.3% | 2,506,667 | 38.3% |
| Total | 1,433 | 100.0% | $ - | - | $ 6,550,000 | 100.0% | 6,550,000 | 100.0% |

| Age Category (Income Restricted) | CHAS Allocation (Households)[2] | Targeting Requirement (% of Total) | First 5 Years 2004-05 to 2008-09 Actual Expenditure | % | Second 5 Years 2009-10 to 2013-14 Estimated Expenditure | % | 10-Year Period 2004-05 to 2013-14 Estimated Expenditure | % |
|---|---|---|---|---|---|---|---|---|
| Family (minimum) | 1,977 | 54.2% | - | - | 1,850,000 | 28.2% | 1,850,000 | 28.2% |
| Senior (maximum) | 1,670 | 45.8% | - | - | 4,700,000 | 71.8% | 4,700,000 | 71.8% |
| Total | 3,647 | 100.0% | $ - | - | 6,550,000 | 100% | 6,550,000 | 100.0% |

[1] Percentage of housing fund expenditures based on Town of Yucca Valley Regional Housing Needs Assessment 2006-2014 ("RHNA")

[2] Percentage of housing fund expenditures under the age of 65 based upon 2000 Census data reported in the Comprehensive Housing Affordability Strategy ("CHAS")

*Source: SCAG, CHAS, Town of Yucca Valley*

## HOUSING UNITS CONSTRUCTED DURING PRIOR IMPLEMENTATION PLAN WITHOUT HOUSING SET-ASIDE FUNDS

No newly constructed affordable housing units featuring long term covenant restrictions (affordable units with covenants of at least 45 years for ownership housing or 55 years for rental housing) were constructed in the Project Area during the first half of the Compliance Period (FY 2004-05 to 2008-09) using other locally controlled government assistance and without the assistance of the Agency.

Town of Yucca Valley Redevelopment Agency
57090 Twentynine Palms Highway
Yucca Valley, CA 92284
(760) 369-7207

Adopted – May 4, 2010