REPORT TO THE CITY COUNCIL FOR THE PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2

CALIMESA REDEVELOPMENT AGENCY

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Report to the City Council

Prepared for the

PROPOSED
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PROJECT AREA NO. 2

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April 2011

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1.0 INTRODUCTION

The Redevelopment Plan for the Calimesa Redevelopment Project Area No. 2 is being prepared by the Calimesa Redevelopment Agency pursuant to the California Community Redevelopment Law (CCRL; Health and Safety Code, Section 33000, *et seq.*) and all applicable laws and ordinances. On July 20, 2010, the Calimesa Redevelopment Agency prepared and transmitted its Preliminary Report regarding Calimesa Redevelopment Project Area No. 2 to each affected taxing entity in full compliance with CCRL Section 33344.5. Subsequent to that date, the Calimesa Redevelopment Agency declared its intent to use the 2010-11 equalized property tax assessment roll rather than the 2009-10 equalized roll as the base year assessment roll to be used for the allocation of taxes derived from Calimesa Redevelopment Project Area No. 2.[1] Affected taxing entities, the State Board of Equalization, and the Riverside County Auditor-Controller and Assessor were all notified of this change on November 18, 2010, as required by CCRL Section 33328.5(a). The Calimesa Redevelopment Agency subsequently received the updated fiscal reports from the State Board of Equalization and the Riverside County Auditor's Office regarding the 2010-11 assessed value of Calimesa Redevelopment Project Area No. 2 described in CCRL Section 33328.5(b) and prepared a Revised Preliminary Report, which analyzed the effect of the use of the 2010-11 equalized assessment roll, pursuant to CCRL Section 33328.5(c). The Revised Preliminary Report also contained additional evidence concerning the existence of blighting conditions within the proposed Calimesa Redevelopment Project Area No. 2 and was transmitted to the affected taxing entities on February 2, 2011, and the California Departments of Finance and Housing and Community Development on March 18, 2011. This Report to the City Council has been prepared in accordance with CCRL Section 33352 and also contains the information included within the Agency's Revised Preliminary Report.

The Calimesa Redevelopment Agency currently has two active redevelopment project areas. The first, the Calimesa Redevelopment Project No. 1, was adopted by the City Council on December 30, 1993. It contains approximately 762 acres and is effective until 2033. The second project area was transferred from the County of Riverside to the City subsequent to Calimesa's incorporation in 1990. The transfer effective date was July 1, 1999. Named County Redevelopment Project No. 5-1986, it is generally referred to as Project No. 5. Project No. 5, which was adopted on December 23, 1986, contains 190 acres and is effective until 2026.

No action proposed to be undertaken either by the City Council or the Agency with respect to the preparation of the Redevelopment Plan for the proposed Calimesa Redevelopment Project Area No. 2 will in any way modify or otherwise affect Project No. 1 or Project No. 5 or their respective redevelopment plans.

1.1 Definitions

The following **bold** terms shall have the following meanings unless the context in which they are used clearly requires otherwise:

"Affected Taxing Entity" means any governmental taxing agency that levies a property tax on all or any portion of the property located in the adopted redevelopment project area in the fiscal year prior to the fiscal year in which the report prepared pursuant to CCRL Section 33328 is issued or in any fiscal year after the date the redevelopment plan is

[1] Per RDA Resolution No. 2010-11, adopted on November 15, 2010.

adopted, as defined in CCRL Section 33353.2. To the extent that a new governmental taxing agency wholly or partially replaces the geographic jurisdiction of a preexisting governmental taxing agency, the new taxing agency shall be an “Affected Taxing Entity” and the preexisting taxing agency shall no longer be an “Affected Taxing Entity.”

"AGA" means Alfred Gobar Associates, real estate and economic analysts, retained by the Agency to assist in the preparation of the Plan, as defined below.

"Agency" means the Calimesa Redevelopment Agency.

"Agency Board" means the Board of Directors of the Agency. The members of the Agency Board are also the members of the City Council.

"Base Year Value" means the total sum of the assessed value of the taxable property in a redevelopment project area as shown upon the assessment roll used in connection with the taxation of that property by all affected taxing agencies, last equalized prior to the effective date of the ordinance adopting a redevelopment plan and as more specifically described in CCRL Section 33670.

"CCRL" means the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq.*) as currently drafted or as it may be amended from time to time.

"CEQA" means the California Environmental Quality Act, inclusive of the following elements: Public Resources Code Section 21000, *et seq*., referred to as the "CEQA Statutes"; Title 14, California Code of Regulations, Section 15000, *et seq*., referred to as the "State CEQA Guidelines."

"City" means the City of Calimesa.

"City Council" mean the City Council of the City. The members of the City Council are also the members of the Agency Board.

"County" means the County of Riverside, State of California.

"EIR" means the environmental impact report prepared for the Project, as defined below.

"FY" means fiscal year and runs from July 1 of any given calendar year to June 30 of the subsequent year.

"General Plan" means the General Plan of the City, as amended from time to time.

"LMI Housing Fund" means the Low and Moderate Income Housing Fund of the Agency established pursuant to CCRL Section 33334.3.

"Plan" or **"Redevelopment Plan"** means the Redevelopment Plan to be adopted for the Calimesa Redevelopment Project No. 2; the Redevelopment Plan is the legal basis for the Agency to implement the Project.

"Planning Commission" means the Planning Commission of the City.

"Preliminary Report" means the preliminary report prepared and transmitted by the Agency to the Affected Taxing Entities on July 20, 2010, in compliance with CCRL Section 33344.5.

"Project" means the proposed Calimesa Redevelopment Project Area No. 2.

"Project Area" means the territory proposed to be included within the Project.[2] The Project Area is described in more detail in Section 2.0 of this Report to Council and shown in Figure 2.

"Report to Council" means this Report to the City Council, prepared in accordance with the requirements of CCRL Section 33352.

"Revised Preliminary Report" means the revised preliminary report prepared in compliance with CCRL Sections 33344.5 and 33328.5(c) and transmitted to the Affected Taxing Entities on February 2, 2011.

"State" means the State of California.

"Tax Increment" means a portion of the property tax funds collected from assessable properties located in the Project Area to be allocated to the Agency pursuant to CCRL Section 33670 and other applicable sections of the CCRL.

"Zoning Ordinance" means the zoning ordinance of the City, as it may be amended from time to time. The Zoning Ordinance is codified within Title 18, Zoning, Land Use and Development Regulations, of the City's Municipal Code.

1.2 Background, Overview and Purpose of the Project

The severe economic recession that began almost three years ago has resulted in an abrupt halt in development of approved housing subdivisions and commercial sites, an increase in home foreclosures, and a sharp decline in demand for newly constructed housing units in newly developing portions of the City, further exacerbating the local impacts of one of the most severe economic downturns in modern times. A review of the defaulted JP Ranch project and the delayed Mastercraft and Summerwind Ranch Specific Plan projects, which comprise much of the Project Area, indicates these adverse economic conditions have created and will continue to create serious negative physical and economic impacts on the City and the community at large. Furthermore, despite the fact that housing now costs less than in the previous years, this economic crisis has negatively affected affordable housing opportunities for persons and families of low- and moderate-income, and will continue to do so over the long-term.

Locally elected and appointed officials are concerned that increased defaults, foreclosures, and interrupted and abandoned neighborhood construction will leave the City with insufficient property tax revenue to cover the costs associated with providing

[2] On January 5, 2010, the Agency transmitted a map and legal description depicting the previously proposed Project Area boundaries to the State Board of Equalization, Affected Taxing Entities and others, as required by CCRL Section 33328. Subsequent to the January 5, 2010, transmittal, the proposed Project Area boundaries were modified by the Planning Commission on April 26, 2010 and the Agency on May 3, 2010, and transmitted to the State Board of Equalization, Affected Taxing Entities and others on May 7, 2010. For purposes of the Redevelopment Plan adoption process, the previously proposed Project Area boundaries transmitted on January 5, 2010, are no longer germane.

necessary public services within these areas and the ability to address the housing needs of Calimesa residents. Understanding this, City officials have elected to pursue the adoption of a redevelopment project area comprised primarily of these failed housing projects with the intent of eliminating blighting conditions, preventing the further spread of such conditions within the Project Area and other parts of the City, and providing opportunities for addressing deficiencies through redevelopment activities.

Redevelopment is a long-term service commitment to the community. The proposed Redevelopment Plan will facilitate the implementation of projects and programs that upgrade public facilities and infrastructure, promote economic development and job growth, provide additional affordable housing opportunities, and generally improve the quality of life for residents, business owners, and property owners within the limits of the Project Area generally, and the City overall.

1.3 Survey Area Selection

The City Council, acting pursuant to CCRL Section 33310, by its Resolution No. 2009-36 adopted on September 21, 2009, designated a redevelopment survey area (the "Survey Area") which contains parcels which could, upon further analysis, conceivably qualify for inclusion in a redevelopment project area and be made subject to a redevelopment plan. The City Council deemed the Survey Area appropriate for further study and so directed staff to commence such study. The Survey Area included all portions of the City south of County Line Road.

1.4 Preliminary Plan Adoption

Upon further examination of the conditions in the Survey Area and pursuant to CCRL Section 33322, the Planning Commission, by its Resolution No. 2009-20, adopted a preliminary plan (the “Preliminary Plan”) for the Project on November 9, 2009. The Preliminary Plan established the boundaries of the proposed Calimesa Redevelopment Project No. 2, which included significantly less territory than in the Survey Area. Subsequently, the Planning Commission, at the direction of the Agency, amended the Preliminary Plan to modify the boundaries of the Project Area by its Resolution No. 2010-01 adopted on April 26, 2010.

A preliminary plan need not be detailed and is sufficient if it: i) describes the boundaries of the proposed project area; ii) contains general statements about land uses, street layouts, population densities, building intensities, and standards proposed as the basis for the redevelopment of a project area; iii) shows how the purposes of redevelopment would be attained through adoption of a redevelopment plan; iv) shows that the proposed redevelopment is consistent with the community's general plan; and v) generally describes the impact of the redevelopment project upon the residents of the proposed project area and upon the surrounding neighborhood. The preliminary plan prepared for the Project contains all appropriate and necessary information, and is by this reference included herein and made a part of this Report to Council.

1.5 Purpose and Use of Redevelopment Authority

The purposes of the CCRL are to help sponsor redevelopment agencies to protect and promote the sound development and redevelopment of blighted areas, to improve the general welfare of the inhabitants of the community, and to facilitate the provision of affordable housing opportunities for persons and families of low- and moderate- income. If the Redevelopment Plan is approved, these purposes will be attained by redeveloping the Project Area where blight may be found to be prevalent and substantial, and by facilitating the provision of housing opportunities for persons and families of low- and moderate-income.

These purposes will further be attained by facilitating residential and commercial growth as appropriate or necessary in the interest of the general welfare, thereby contributing to the public's health, safety, and welfare. Redevelopment of the Project Area should also help the Agency to attain the purposes of the CCRL by stimulating new and redeveloped residential and commercial activity, which increases employment opportunities for Calimesa residents and turns stagnant, unproductive, and/or under-productive areas into viable productive uses consistent with goals and strategies of the General Plan.

CCRL purposes will also be attained through the extended use of the LMI Housing Fund to increase, improve, and preserve the community's supply of low- and moderate-income housing available at affordable housing cost to, and occupied, by persons and families of low or moderate income, lower income households, very low income households, and extremely low income households. Therefore, redevelopment of the Project Area will attain the objectives and purposes of the CCRL.

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2.0 PROJECT AREA SELECTION, URBANIZATION, BLIGHT, AND NECESSITY

The CCRL includes specific criteria describing the legal basis for making one or more parcels subject to redevelopment. The City Council, Agency, and Planning Commission have reviewed these criteria and have determined that the parcels to be included within the Project Area are appropriate for inclusion into a redevelopment project area.

2.1 Reasons for Selecting the Boundaries of the Project Area

The first and primary reason for selecting the boundaries of the Project Area is that the City Council determines that the parcels within the Project Area will meet the tests for such designation set forth in CCRL Sections 33320.1, 33321, 33321.5(a) and (b), 33030 and 33031. This is based upon findings made by the Planning Commission when it adopted the Preliminary Plan, and upon the evidence contained within this Report to Council.

A second reason for selecting the Project Area is to eliminate the blight found within it by: i) upgrading public facilities and infrastructure within or of benefit to the Project Area; ii) promoting and facilitating economic development and job growth within the Project Area; iii) providing additional affordable housing opportunities within the Project Area and community-wide; and iv) generally improving the quality of life for residents, and business and property owners within the limits of the Project Area, and the City overall. Use of the powers and opportunities of redevelopment pursuant to the CCRL within the Project Area may help to effectuate these improvements in the interest of eliminating the blight found within the Project Area.

Third, the Project Area was selected because it contains parcels which are necessary for the effective redevelopment of the City. These parcels may be used to: i) provide suitable locations for Agency efforts to relocate owners or tenants displaced by potential future redevelopment activities undertaken within other portions of the Project Area or the City's other two project areas; and ii) provide the Agency with additional locations capable of accommodating its efforts to construct new affordable housing units within the community.

Fourth, the Project Area was selected because its redevelopment would be consistent with the purposes of the CCRL which are to protect and promote the sound development and redevelopment of blighted areas, and to improve the general welfare of the inhabitants of the community. These purposes would be attained by redeveloping existing structures, parcels, public rights-of-way, or other infrastructure within the Project Area; by stimulating construction activity and increasing employment opportunities in commercial areas by providing financial assistance in connection with the construction and reconstruction of walkways, lighting, landscaping, and other public facilities; by. attracting residential and commercial uses to stagnant, unproductive, and/or under-productive areas including the recycling of land uses into viable productive uses consistent with goals and policies of the General Plan; and by using LMI Housing Funds to increase, improve, and preserve the community's supply of low- and moderate-income housing available at affordable housing cost to persons and families of low or moderate income, lower income households, very low income households, and extremely low income households.

A final reason for selection of the Project Area is to implement a number of the goals set forth in the General Plan within the Project Area. Such planning goals can only be achieved through the orderly, efficient, and timely development of projects. It is for all of the reasons set forth above that the City Council is causing the preparation of the Redevelopment Plan for its consideration and action after a joint public hearing.

2.2 Description of the Project Area and Status of its Land Use Controls

Figure 1 locates the City in the northwestern portion of Riverside County within the Yucaipa Valley section of the Southern California Inland Valley at the western edge of the San Gorgonio Pass between San Bernardino and Palm Springs. Incorporated in 1990, the City lies approximately 26 miles east of the City of Riverside and is bordered by the City of Yucaipa on the north, the City of Beaumont on the south, and unincorporated Riverside County on the east and west. The City's incorporated limits consist of approximately fifteen square miles with an additional four square miles in its Sphere of Influence.

Figure 2 shows the Project Area's location and its relationship to the larger City. The Project Area encompasses approximately 1,143 acres and is comprised of three non-contiguous sub-areas. Sub-Area A, approximately 257 acres, is situated generally south of Avenue L, north and west of Singleton Road, and east of the 10 Freeway and contains the delayed Mastercraft housing tract and a portion of the now defunct JP Ranch project. Sub-Area B, approximately 41 acres, lies to the east of Sub-Area A and was also part of the JP Ranch project. Sub-Area C, the largest of the three sub-areas, contains approximately 845 acres and is located primarily southwest of the 10 Freeway. Sub-Area C includes the Summerwind Ranch project, now in default, and is partially contiguous to the City's Redevelopment Project Area No. 1.[3]

Figure 3 shows the current land uses in the Project Area. As shown in Figure 3, the Project Area consists predominantly of land which has been improved and prepared for planned residential and commercial development, and two large mobile home parks.

If the Redevelopment Plan is approved and adopted by the City Council, the General Plan would continue to govern land use policy within the Project Area as it would within other areas of the City exterior to redevelopment authority. Implementation of redevelopment activities should help the City to achieve a number of the goals and objectives of the General Plan within and near the Project Area. Figure 4 shows General Plan land use designations as well as all specific plan land use designations within the Project Area.

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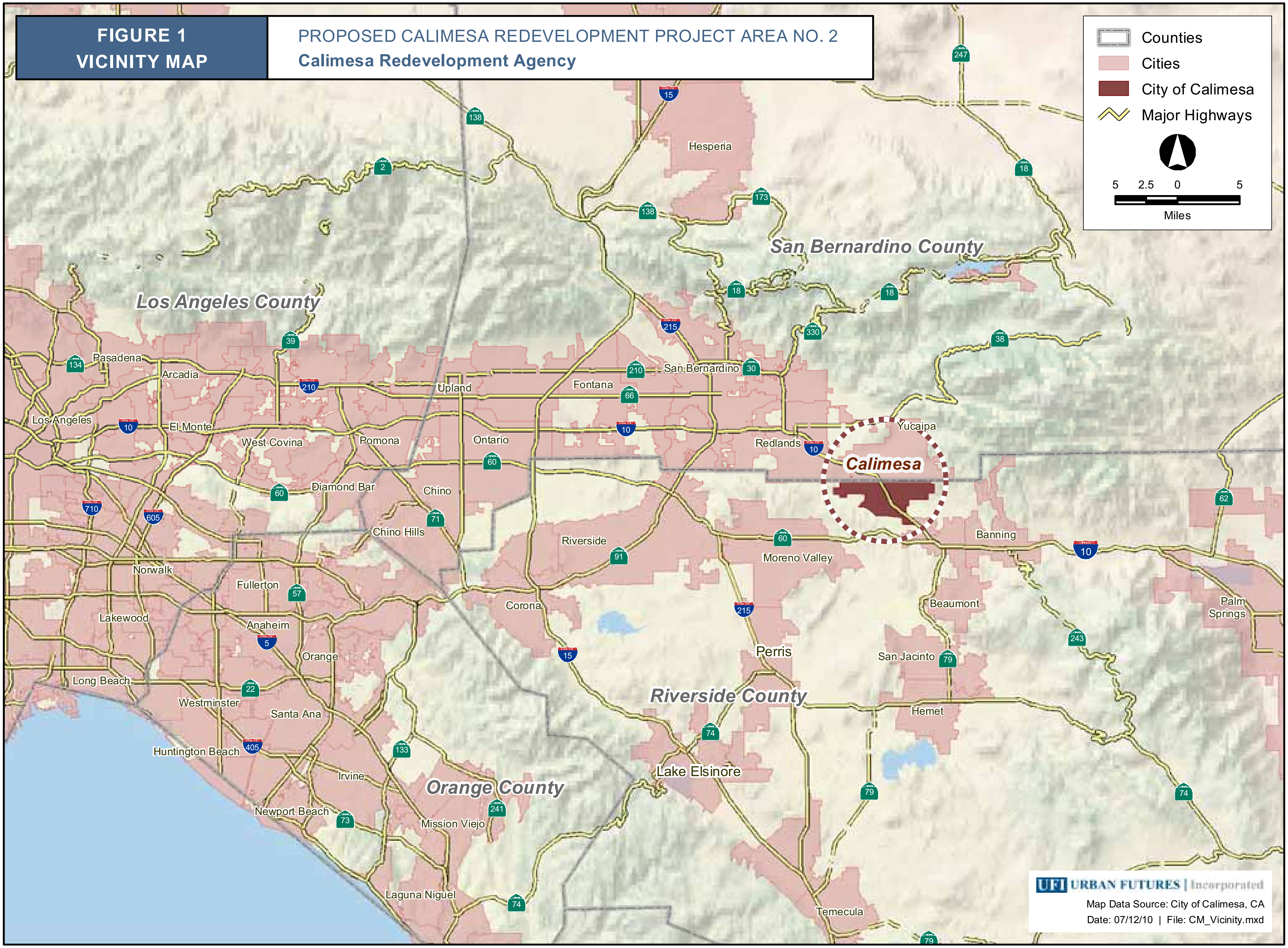
[3] As described in Section 1.0 of this Revised Preliminary Report, Calimesa Redevelopment Project Area No. 1 is a wholly separate redevelopment project of the Agency and is not part of, nor will it be subject to, the Plan for the Project Area.

FIGURE 1
VICINITY MAP

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency



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Map Data Source: City of Calimesa, CA
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FIGURE 2
PROPOSED PROJECT AREA MAP

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency

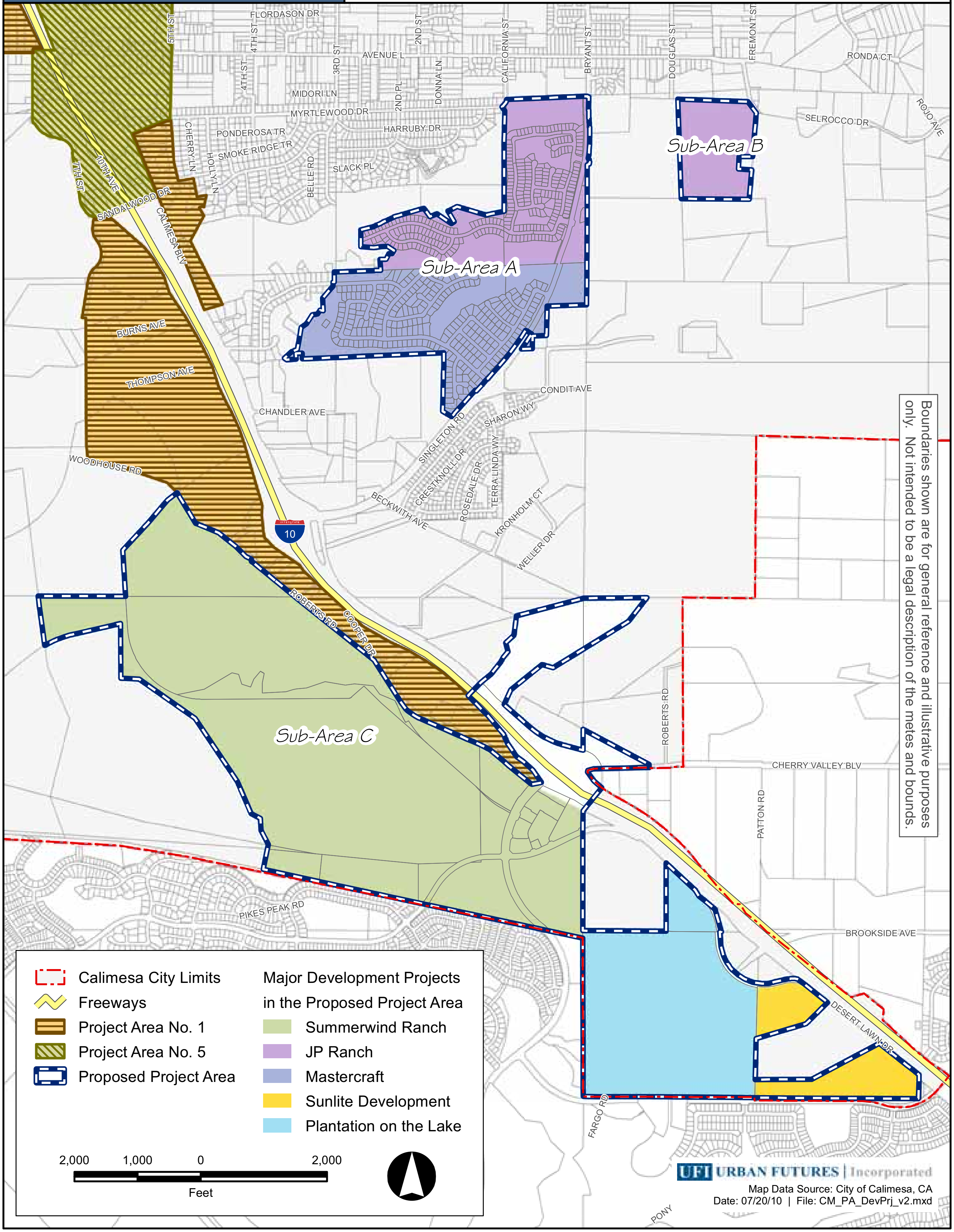

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FIGURE 3
EXISTING LAND USE

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency

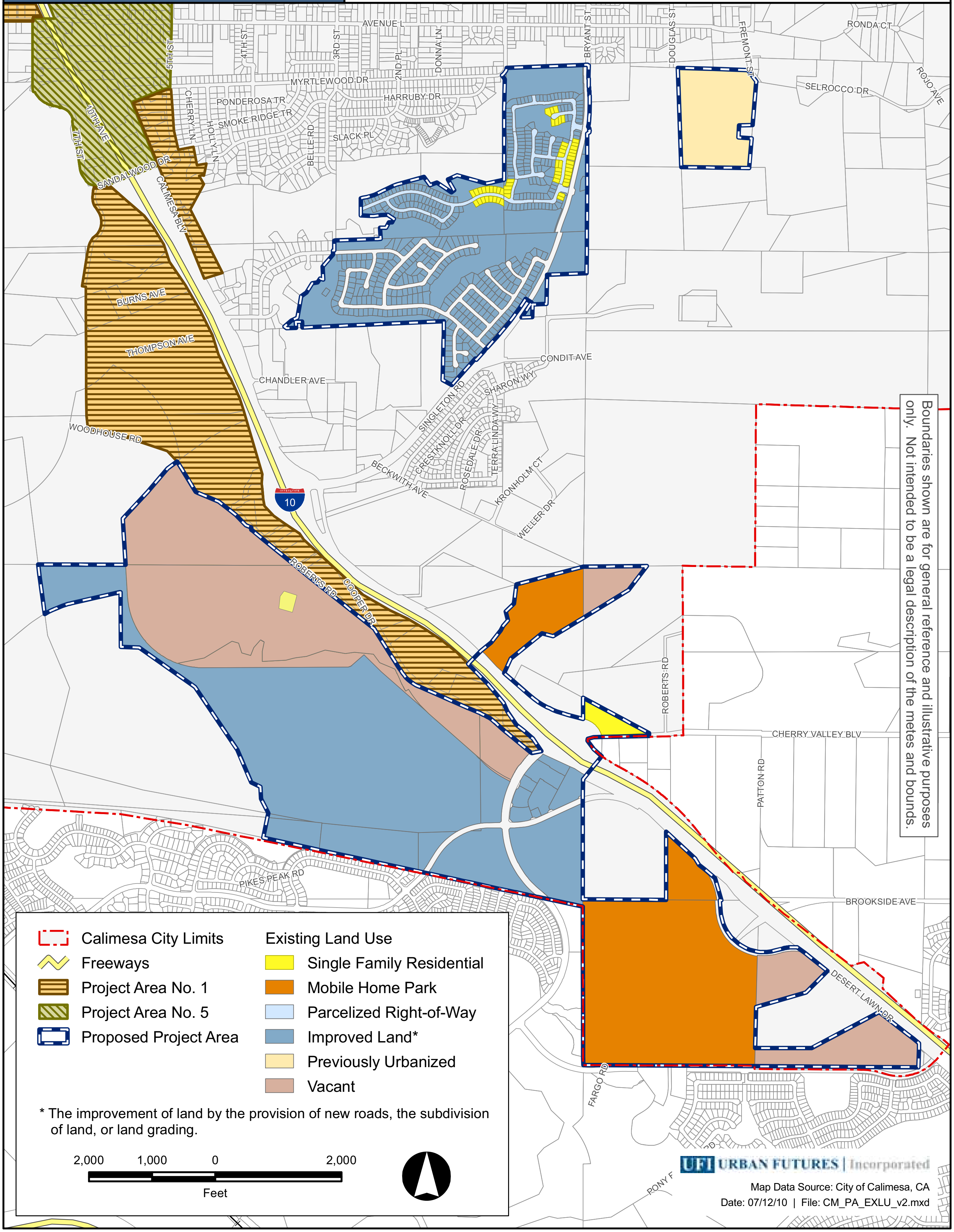

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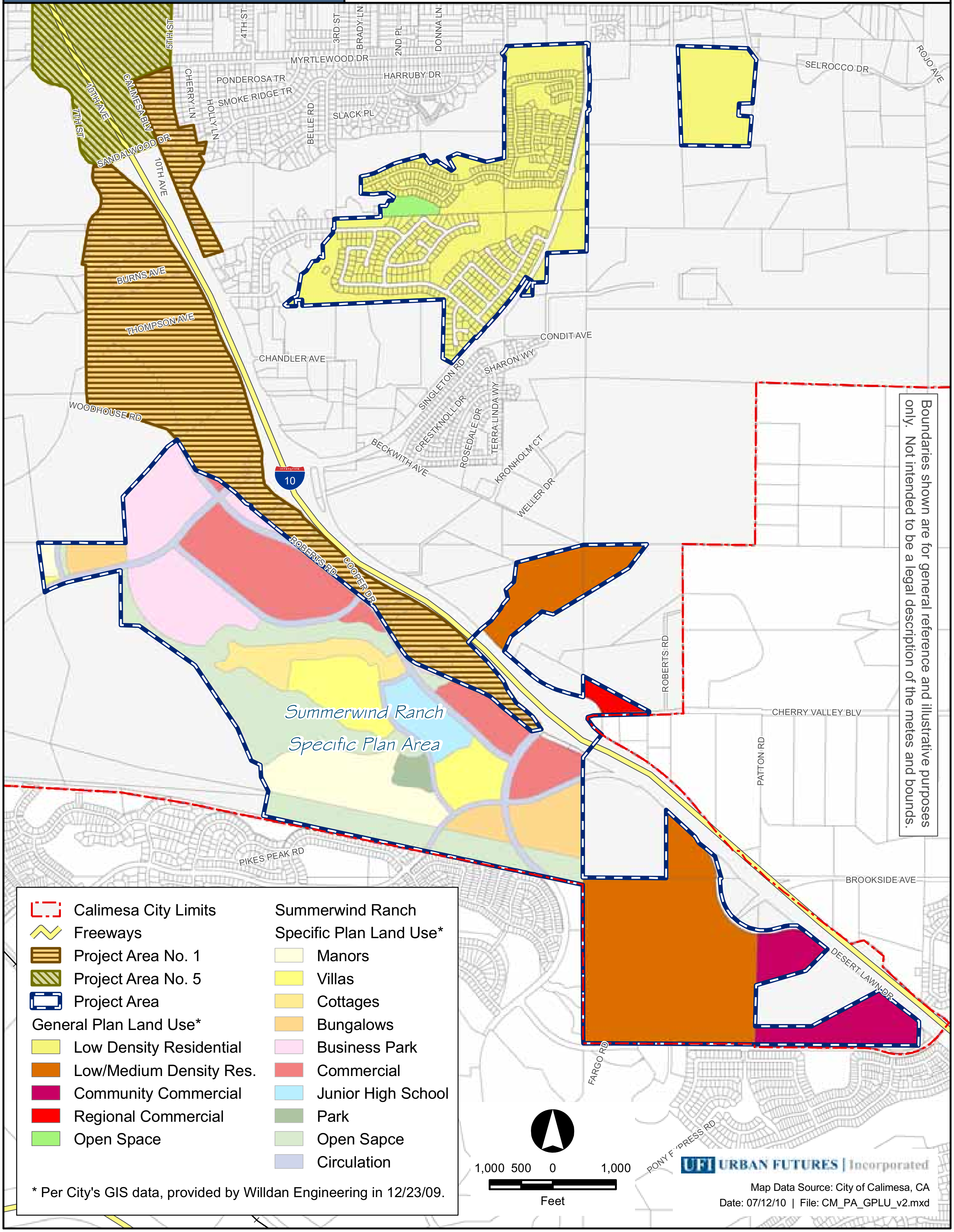
FIGURE 4
GENERAL PLAN LAND USE

CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency



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2.3 Urbanization

For the Project Area to qualify for redevelopment the City Council must determine that it is "predominantly urbanized" as that term is defined in CCRL Section 33320.1(b) and used in CCRL Section 33320.1. The methodology used to determine "urbanization" is quite straightforward and consists of identifying the land use for each parcel within the Project Area during the field survey. This information is then analyzed to determine how each land use category is either an "urban use" as defined in CCRL Section 33320.1(b)(1) or (2) or is not. Since urbanization is a prerequisite condition of any successful action to adopt a redevelopment project area, it is considered the "foundation" finding necessary to create a redevelopment project area.

A project area is "predominantly urbanized" if 80 percent or more of the territory contained within it meets at least one of the two tests set forth in CCRL Section 33320.1(b). These "tests" are described below.

2.3.1 Urban Use Test

A parcel of land meets the "urban use" test if it "has been or is developed for urban uses" (CCRL Section 33320.1(b)(1)). Table 1 and Figure 3 show the existing land uses identified in the Project Area during the field survey undertaken by the Agency's consultants in August 2009. With the exception of the vacant land use designation, the uses identified in the field survey can be classified as "urban" uses for purposes of the CCRL without any further consideration.

Table 1
Existing Project Area Land Use Acreage [1]

EXISTING LAND USES[2]	ACRES	% OF TOTAL
Single Family Residential	15.5	1.4%
Mobile Home Park	196.9	17.2%
Parcelized Right-of-Way	14.6	1.3%
Public Right-of-Way	75.0	6.6%
Improved Land	539.5	47.2%
Sub-Total: Currently Developed	841.5	73.6%
Previously Urbanized	40.5	3.5%
Sub-Total: Urban Uses	882.0	77.1%
Vacant	261.0	22.8%
TOTAL	1,143.0	100.0%

[1] Acreage is approximate.
[2] Based on field survey and County GIS data.

The field team found evidence that approximately 841.5 acres are currently developed for urban uses and that 40.5 acres were previously developed for urban uses. Evidence of previous development consists of abandoned buildings (when buildings are standing), existing foundations of buildings which had previously been demolished, curb cuts which indicate previous vehicular access to private property, or the prior knowledge of City/Agency staff. Altogether, there are approximately 882 acres in the Project Area which have been or are developed for urban uses and which, therefore, meet the urban use test.

2.3.2 Integral Part Test

A vacant parcel meets the "integral part" test if it is "an integral part of one or more areas developed for urban uses that are surrounded or substantially surrounded by parcels that have been or are developed for urban uses" (CCRL Section 33320.1(b)(2)). There are approximately 44.9 acres in the Project Area which are an integral part of an urban area although not developed or previously developed for urban uses. These properties are remainder parcels located between existing subdivisions.

2.3.3 Summary of Urbanization Analysis

As shown below, approximately 926.8 acres (or 81 percent) of the land in the Project Area complies with one (or both) of the tests in CCRL Section 33320.1(b). Therefore, the Project Area is predominantly "urbanized" as that term is defined in CCRL 33320.1(b) and used in CCRL Section 33320.1(a).

Table 2
Land Use Categories Indicating That the Project Area Is a Predominantly Urbanized Area per CCRL Section 33320.1

LAND USE CATEGORY	URBANIZATION TEST	ACRES[1]	PERCENT OF TOTAL
Currently Developed for Urban Uses[2]	Urban Use	841.5	73.6%
Previously Urbanized	Urban Use	40.5	3.5%
Integral Part of Urban Uses[3]	Integral Part	44.9	3.9%
Subtotal		*926.8*	***81.1%***
Not Developed for Urban Uses		*216.2*	*18.9%*
Total		1,143.0	100.0%

[1] Acreage is approximate.
[2] Includes public right-of-way.
[3] Excludes those parcels which are currently, or were previously, developed for urban uses.

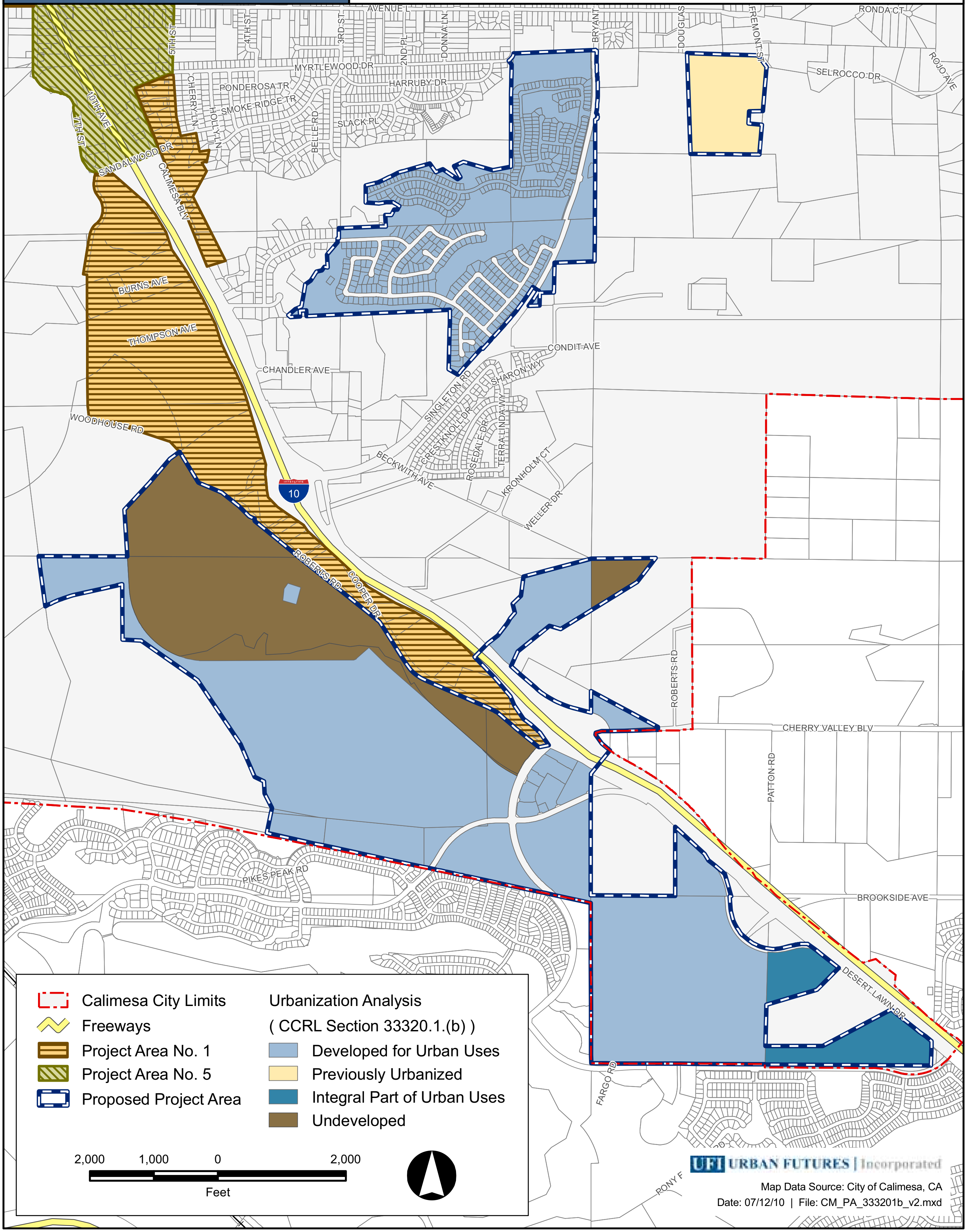
2.3.4 Maps Required by CCRL Section 33344.5(c)(6)

Figure 5 shows property that is integral to an area developed for urban uses per CCRL Section 33344.5(c)(4) and property not developed for urban uses. As indicated in Figure 3, there are no properties in the Project Area that are in agricultural use per CCRL Section 33344.5(c)(3). Further, there are no properties in the Project Area that are characterized by the condition described in CCRL Section 33031(a)(4).

FIGURE 5
URBANIZATION ANALYSIS
[CCRL Section 33320.1.(b)]

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2

Calimesa Redevelopment Agency



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2.4 Description of Physical and Economic Conditions in the Project Area

2.4.1 Physical Blight

The purpose of this section is to describe the existing physical conditions as provided for in CCRL Section 33031(a) within the Project Area. This section satisfies CCRL Section 33352(b).

2.4.1.1 Serious Dilapidation and Deterioration

One of the key amenities planned as part of the halted JP Ranch development was a 12,225 sq. ft. clubhouse building featuring a fitness center, locker rooms, and activity rooms.[4] As a result of the slowing demand for new housing, construction on the clubhouse facilities ceased before it could be fully constructed. The clubhouse was fully enclosed and windows were installed; however, the building's exterior was not finished. According to City staff, the clubhouse was substantially damaged by winter rains in January 2010, rendering it uninhabitable. Given that the current recession bankrupted the developer of the JP Ranch, it is unlikely that the damaged clubhouse structure will be rehabilitated in the next several years; therefore, it is likely to remain standing and deteriorate even further. Should the City Council elect to approve and adopt the Redevelopment Plan, it is possible that the Agency may be able to provide financial assistance toward the rehabilitation of the clubhouse, thereby eliminating a health and safety hazard within the Project Area.

Elsewhere in the JP Ranch housing tract, there are instances of other recently built structures which have been rendered uninhabitable. According to City officials, after the JP Ranch subdivision went into default, unoccupied homes in the partially completed neighborhood were targeted by vandals and burglars. In some cases, virtually all of the installed electrical wiring was removed. In one such instance, burglars pulled all of the copper wiring from the interior walls of an unoccupied single-family residence on Heritage Drive and caused approximately $21,100 in property damage.[5] Such thefts have caused extensive property damage and left many of the homes in the JP Ranch uninhabitable. Significant repairs will be required to restore these structures and make them suitable for occupancy by new residents.

Dilapidation also exists on older structures located within the JP Ranch site. The eastern portion of the JP Ranch hosted a successful chicken ranching operation for several decades; however, based on the emergence of several new market factors in the early 2000s, the chicken ranch declined in profitability and was eventually closed in favor of redeveloping the site for new housing and commercial development. According to City staff, most of the former ranch buildings were demolished and cleared in order to prepare the site for future development, but two buildings formerly used as residences for ranch workers remain.[6] City officials report these structures are dilapidated and beyond repair

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4 Per JP Ranch developer's website. <http://www.jpranchhomes.com> Accessed on July 7, 2010.

5 Riverside County Sheriff Report File No. CM08213014, prepared on August 1, 2008.

6 Per Ms. Judith Von Klug, Redevelopment Manager, July 22, 2010.

and are unsuitable for inhabitation due to the presence of severe building code violations. These structures are unsafe and unhealthy and must be cleared in order to facilitate the ultimate build-out of the JP Ranch development.

2.4.1.2 Conditions that Prevent or Substantially Hinder the Viable Use or Capacity of Buildings or Lots

There are a number of physical conditions that prevent or substantially hinder the viable use or capacity of buildings or lots in the Project Area.

As described earlier in this Report to Council, the Project Area consists of portions of several defaulted or delayed subdivisions which were planned during the height of the residential real estate boom: JP Ranch, Summerwind Ranch, and Mastercraft (refer to Figure 2 for the location of these housing tracts in relation to the Project Area). A description of the conditions that prevent or substantially hinder the viable use or capacity of the buildings or lots within each of these housing tracts is provided below.

JP Ranch

Within portions of the JP Ranch housing tract, lots were graded and streets were laid out in anticipation of proposed residential development. According to City officials, trunk water and sewer infrastructure was installed[7] and development progressed to the point where streets were installed and forty-six (46) new single family homes were built in 2007 and 2008. However, the vast majority of the land in the JP Ranch development consists of improved lots which have been graded and prepared for new development. Although the improvements to these lots may, at first glance, appear to be an asset to this defaulted housing tract, their installation actually presents a formidable obstacle to new development in the JP Ranch.

Much of the grading in the JP Ranch was completed in 2007, just before the severe economic downturn tightened the credit markets and all but eliminated the demand for new housing in the region. Several years of neglect have taken their toll on the soil erosion controls installed in the subdivision and caused many of them to deteriorate and fail. The resultant soil erosion has undermined the grading in these subdivisions to such an extent that many of the lots will have to be re-graded and shored up with new erosion controls in order to make them viable for new development.

The previous grading activity represents a significant investment toward a particular site plan configuration within this master-planned development. The land has been graded to specific lot sizes and improved to accommodate a specific product size and certain development density. As will be discussed in further depth in Section 2.4.2, property values have drastically decreased and such development is no longer viable; therefore, it will likely be necessary to modify development plans in the JP Ranch and re-grade lots to change the size and dimensions for the purpose of increasing their economic viability.

[7] Telephone conference with Mr. Mathew Evans, Senior Planner, City of Calimesa, on Tuesday, July 6, 2010.

In addition, ten of the homes in the JP Ranch development have been completed, but are missing driveways. Without a driveway to connect the garage to the street, these properties do not conform to the City's Zoning Ordinance; this condition prevents the use of these properties.

Summerwind Ranch

Conditions within the defaulted Summerwind Ranch development are somewhat different than those described within the JP Ranch site because demand for new housing had already started to soften in the region by the time preliminary grading for streets and lot sites within the Summerwind Ranch was completed. Within the Summerwind Ranch site, no water and sewer mains were installed and construction never commenced on the single-family homes proposed for the area.

Like the JP Ranch, the preliminary grading in the Summerwind Ranch has also been ravaged by soil erosion to the degree that much of the grading will have to be redone in order to make the lots viable for new development; however, such efforts will require substantial reinvestment within the Summerwind Ranch. Further, as discussed with respect to the JP Ranch, it will likely be necessary to modify development plans in the Summerwind Ranch and regrade lots to change their size and dimensions for the purpose of increasing their economic viability.

As described above, the planned streets in the Summerwind Ranch tract were laid out, but never actually constructed. The dramatic decrease in property values in the Summerwind Ranch, as well as the rest of the Project Area, since 2007 has made it far too costly to justify the installation of public streets. Without access to paved public streets, the viable use of lots in the Summerwind Ranch tract is effectively prevented. Development may not move forward unless vehicular access is provided via public streets; these improvements are not currently envisioned.

Mastercraft

The delayed Mastercraft housing tract also hosts a number of the same conditions identified above with respect to the JP Ranch and Summerwind Ranch tracts. As was the case with the Summerwind Ranch tract, the regional housing market had started to cool down some time prior to the completion of preliminary grading at the Mastercraft tract; therefore, streets were not constructed and homebuilders did not move forward with new home construction at the site. Unlike the defaulted Summerwind Ranch tract, City officials report that trunk water and sewer infrastructure was installed within the Mastercraft development.[8]

Given that circumstances in the Mastercraft development are very similar to those described in the halted JP Ranch and Summerwind Ranch developments, much of the discussion presented earlier in this section of the Report to Council is germane to the Mastercraft tract. Previously graded lots will need to be regraded due to severe soil erosion, and the site plan for the development may need to be entirely reconfigured to increase its economic viability. Further, the

8 *Ibid.*

lack of public streets prevents the viable use of the lots in the Mastercraft tract by prohibiting development.

Rancho Calimesa Mobile Home Park

The JP Ranch, Summerwind Ranch, and Mastercraft housing tracts are not the only sites in the Project Area where viable uses have been prevented. Within Sub-Area C, the roadway system in the Rancho Calimesa mobile home park is incomplete. In the northeastern section of this mobile home park, several roadways have been laid out and graded in order to accommodate additional mobile homes at some point in the future; however, these streets have never been paved. This lack of paved roadways has made it impossible for the owners of the Rancho Calimesa mobile home park to lease spaces to prospective residents in this portion of the mobile home park. The unpaved roadways in the Rancho Calimesa mobile home park, therefore, constitute a condition that prevents the viable use of portions of the parcel on which it is located.

2.4.2 Economic Blight

The purpose of this section is to describe and evaluate conditions within the Project Area recognized to indicate economic blight. The Project Area is being evaluated in terms of blight that is so substantial and prevalent it causes a serious reduction in the utilization of property resources to such an extent it constitutes a serious economic burden on the community that cannot be reversed or alleviated without redevelopment.

2.4.2.1 Project Area Property Resources

The Project Area encompasses 1,143 acres hosting a variety of existing land uses as summarized in Table 3.

Table 3
Project Area Existing Land Uses

EXISTING LAND USE ACTIVITY	ACRES	% MIX
Single Family Residential	15.5	1.4%
Mobile Home Residential	196.9	17.2%
Land Improved For Development	539.5	47.2%
Previously Urbanized Land	40.5	3.5%
Vacant Land	261.1	22.8%
Parcelized Feeder Streets	14.6	1.3%
Major Roads & Rights-of-Way	75.1	6.6%
Total Existing Land Use	1,143.2	100.0%

Source: AGA; UFI.

Initial review of the summary above would suggest developed residential land accounts for about 19.0 percent of existing land use and vacant land (including designated natural open spaces) about 23.0 percent, while property reflecting various stages of improvement accounts for 47.0 percent of existing land use. The substantial amount of acreage that has been improved for urban development but not yet completed (540 acres), or is currently vacant (260 acres), describes portions of three large development programs that have been recently abandoned due to the economic recession. These abandoned development programs include the large residential subdivisions of Mastercraft and JP Ranch, and a mixed-use community master plan known as Summerwind Ranch. All of the Mastercraft subdivision and a portion of JP Ranch and Summerwind Ranch are located within the Project Area. When the mix of land use planned for each of the three development programs is compared to GIS parcel information and aerial image data describing existing conditions, it becomes clear that residential land use represents a significantly greater share of Project Area property resources, as summarized in Table 4.

Table 4
Residential Land Resources of Project Area

EXISTING LAND RESOURCES	ACRES	% MIX
Single Family Residential	15.5	1.4%
Mobile Home Residential	196.9	17.2%
Improved With Residential Lots	186.0	16.3%
Residential Feeder Streets	71.5	6.3%
Residential Land Resource	**469.9**	**41.1%**
Total Land Use Resource	**1,143.2**	100.0%

Source: AGA; UFI.

As shown above, nearly 470 acres of Project Area territory is committed as a physical resource for residential land use. The effective supply of residential property resources includes: 15.5 acres improved with single-family residences; 196.9 acres improved with mobile homes; 186.0 acres that are improved with finish-graded lots and utilities or mapped for development; and 71.5 acres improved with feeder streets providing direct access and utility service to individual residential lots. In effect, a substantial share of property resource capacity describing the Project Area has been committed for residential development by the City of Calimesa (through its entitlement and mapping approval authority) and by the private sector (through capital investment and development activity).

2.4.2.2 Economic Factors Affecting Resource Utilization

From 2000 to 2007, most metropolitan regions throughout California entered an extended period of rapid economic growth. Unfortunately, consumer spending, new home construction activity, home values and mortgage lending, and securitization increased at a pace that could not be supported on the back of more fundamental components of the economy, namely growth in employment and worker wages. By the middle of 2008, the National and State economy had slipped into the current recession. For years preceding the current recession, housing market dynamics describing the Inland Empire reflected the broader experience describing housing markets in many other regions of California. The rapid pace of appreciation ultimately triggered a structural decline in home pricing and sales activity that forebode of market limitations that will impact effective utilization of existing residential property resources of the Project Area over the foreseeable future.

As illustrated in Appendix A-1, the median sales price of housing in the Riverside-San Bernardino Metropolitan Area was equal to $133,400 at the beginning of 2000 but increased at a robust 10.6 percent annual pace to $176,500 by the beginning of 2003. Over the next three years, the median value of homes in the Inland Empire skyrocketed at a 27.6 percent annual pace to $375,000 by the beginning of 2006 and eventually peaked at $407,400 in August 2006. In effect, the median value of housing in the Inland Empire more than tripled over a 68-month period (January 2000 to August 2006), representing a 21.8 percent annual increase in home values.

The rapid increase in median home value between 2000 and 2006 far exceeded corresponding growth in employment and worker earnings. In 2007, a heated mortgage securities market fueled by lax underwriting and lending practices began to melt down, which triggered a collapse in the housing market and financial sector leading to the current recession. As illustrated in Appendix A-1, median home values throughout the Inland Empire began a prolonged period of sharp decline as early as Third Quarter 2007, preceding the 2008 stock-market collapse by 15 months. Over a two-year period from May 2007 to May 2009, Inland Empire median home value declined by nearly 60.0 percent.

Though startling, the graph in Appendix A-1 clearly illustrates that the sharp decline in home values represents a structural correction to a previously unwarranted run-up in value rather than an economic-shock leading to an interim setback in value. The prospect of a rapid recovery in home values is highly unlikely and further thwarted by an uncertain outlook for significant employment gains over the near-term. The home value trend provides a good indication that housing market dynamics which characterized the Inland Empire area prior to the recession will not characterize the market over the foreseeable future. Specifically, a rapid rebound in housing value reminiscent of market conditions prior to 2007 cannot be realistically anticipated in the future. Utilization of residential property resources within the Project Area will be most affected by market pricing and development cost dynamics that presently characterize the Inland Empire.

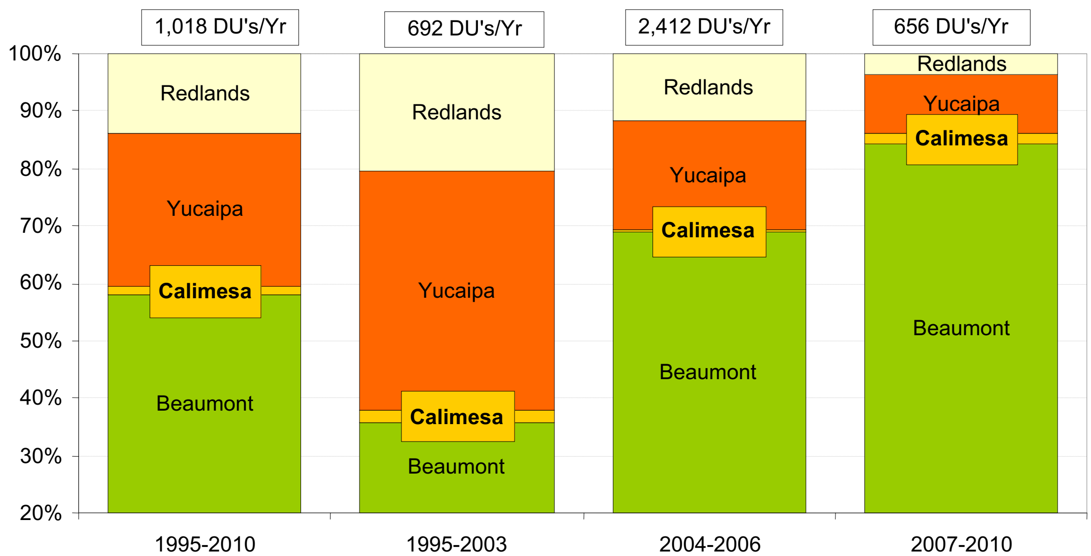
2.4.2.3 Stagnant-Depreciated Property Value

Economic dislocation in real estate occurs when property resources in an area fail to attract market interest and investment that otherwise benefits similar property resources in the surrounding area. Property value serves as a good reference indicator of utility. How a property is utilized will vary by type of land use, but property value for a given class property provides a general measure about the achievable level of utilization that can be realized relative to similar surrounding area properties. Economic dislocation in an area is generally evident whenever local property values experience absolute decline, continue to lag, or fail to keep pace with values being supported by similar kinds of property in the surrounding area. The cause and severity of such dislocation is often complex and can be driven by a diversity of factors, such as dilapidated or technically obsolete buildings, ill-configured or undersized lots, local crime problems, circulation or parking problems, discovery of hazardous materials, etc. Regardless of the root cause, depreciated or stagnant property values are an indicator of economic blight and corresponding underutilization of property resource potential.

2.4.2.3.1 Calimesa Competitive Market Capture

Calimesa competes with adjacent communities for a portion of new home construction activity throughout the Inland Empire region, as illustrated below in Figure 6.

Figure 6
New Home Construction Permits - Single Family Units



Source: U.S. Census - Manufacturing and Construction Division; AGA

New home development projects within Calimesa compete most directly with projects in the surrounding communities of Beaumont, Yucaipa, and Redlands (Redlands-Beaumont sub-market). Figure 6 identifies the annual average number of new home construction permits issued and the respective share of new home construction that has occurred in each of the four communities during the past 15 years. As indicated, 1,000 new home construction permits have been issued each year on average throughout the Redlands-Beaumont sub-market over the past 15 years. The historic volume of new home construction activity in the Redlands-Beaumont sub-market equates to approximately 4.8 percent of total permits issued throughout the entire Inland Empire region in any given year.

The annual volume of single-family permits issued has fluctuated considerably over the 15-year period indicated in Figure 6. From 1995 to 2003 (a period marking initial recovery from the 1990-93 recession and relatively strong economic growth until 2001), roughly 700 new home construction permits were issued per year. Between 2004 and 2006 (a period of rapid home pricing increases), new home construction activity jumped to more than 2,400 permits issued per year, a 3.5 fold increase over average annual activity during the previous eight-year period. Since 2007 (a period of economic decline), the volume of new home construction activity has fallen to an average of 650 permits issued per year, with as few as 395 single-family construction permits issued in 2009.

The respective share of new home construction activity occurring within each city comprising the Redlands-Beaumont sub-market has been changing, as illustrated in Figure 6. Overall, Beaumont has captured an increasing share of new home construction activity, due in part to the Oak Valley Community immediately south of the Project Area. By comparison, the share of construction activity occurring within Yucaipa and Redlands has been declining even as the volume of construction permits issued has fluctuated. A constant during various periods of the 15-year timeframe identified is the notably small share of construction activity that has occurred in Calimesa, typically accounting for less than 3.0 percent of annual construction permits issued within the Redlands-Beaumont sub-market. The scope of development indicated by the subdivision programs within the Project Area suggests Calimesa may be able to capture a larger relative share of sub-market construction activity in the future, assuming housing development actually resumes at the abandoned projects.

Several recession-driven economic realities including such factors as: the structural decline in home value; corresponding decline in homeowner equity; stringent lending practices; elevated unemployment rates; stagnant worker earnings; and flagging consumer confidence provide a strong indication any future housing recovery will be closely tied to material gains in regional employment and related payroll earnings, both expected to grow slowly over the mid-term. As a consequence, the regional housing market and corresponding construction activity within the Redlands-Beaumont sub-market is not likely to exceed 700 units per year and more likely to remain closer to 500 units per year over the mid-term, with Calimesa accounting for as much as a 15.0 percent share of activity (roughly 75 units per year).

2.4.2.3.2 Residential Property Resource Utilization

As previously indicated, nearly 470 acres within the Project Area is comprised of properties committed for residential land use (refer to Table 4). The Plantation on the Lake and Rancho Calimesa communities account for 197 acres of the Project Area. The remaining 273 acres is comprised of single-family residential properties in varying stages of development and utilization as summarized in Table 5.

Table 5 Calimesa Project Area - Residential Resource Utilization				
PROPERTY UTILIZATION CRITERIA	**ACRES**	**% OF ACRES**	**PARCELS**	**% OF PARCELS**
Improved with Housing	6.6		45	
Improved for Development	106.9		541	
Improved Residential R-O-W	41.4		n.a.	
Improved Residential Resource	**154.9**	**57%**	**586**	**46%**
Mapped For Development	88.0		683	
Mapped Residential R-O-W	30.1		0	
Mapped Residential Resource	**118.1**	**43%**	**683**	**54%**
Residential Resource Capacity	**273.0**	**100%**	**1,269**	**100%**
Effectively Utilized (Land & R-O-W)	6.6	2%	45	4%
Underutilized (Land & R-O-W)	266.4	98%	1,224	96%
Note: Identified acreage and parcel figures are approximate and based on approved development plans and aerial imaging data. Identified acreage figures represent in-tract net area excluding backbone infrastructure and planned open space within the respective development plans for Summerwind Ranch, JP Ranch, and Mastercraft. For purpose of this analysis, mapped property is an integral part of the urban area described by improved property resources because mapped properties are integral to the design and engineering of improved subdivided property and neighborhoods being created.				

Source: AGA; UFI.

As shown above, only a small portion of existing residential land (6.6 acres) has been improved with residential structures, although a significant portion of residential land (148.3 acres) consist of graded single-family lots with graded roadways and utilities in place. In addition, another 118.1 acres of residential land has been mapped for development and improved to a lesser extent but is integral to the subdivision layout and circulation flow of improved residential properties. The supply of housing represented by these residential properties is significant. In all, the 273 acres of single-family residential property identified above has been designed and developed to host approximately 1,270 homes. By comparison, a relatively small share of the single-family residential property has actually been improved with single-family residences (45 units in the JP Ranch subdivision), the vast majority of which remain vacant since built in 2008.

The above summary makes clear that the vast majority of single-family residential property resource capacity representing over 95.0 percent of housing unit potential within the Project Area is currently underutilized due to abandonment and bankruptcy issues now facing the previously active Summerwind Ranch, JP Ranch, and Mastercraft development programs.

The recent demise of these projects can be largely attributed to the wholesale structural decline in home value that has impacted the entire economic region. In effect, the investment motive on the part of the private sector (in the form of land purchase, land development, and unit construction) and commitment of community resources on the part of the public sector (in the form of entitlement approval, committed land use pattern, and related on-site and off-site infrastructure design) has failed or is at substantial risk of failure. The wholesale decline in the marketable pricing of housing and related decline in sales revenue available to satisfy development cost incurred by the City and project sponsors is a principal factor contributing to the recent closure of residential housing projects within the Project Area. Economic conditions contributing to recent project closures are not unique to the Project Area but have effectively rendered over 95.0 percent of single-family residential resources capacity within the Project Area significantly underutilized.

Housing unit capacity describing underutilized residential property within the Project Area (1,224 units) represents a 15- to 17-year inventory of new home construction activity. The 15- to 17-year timeframe to buildout assumes sufficient market pricing growth occurs to overcome bankruptcy issues that currently plague the abandoned residential housing projects within the Project Area. In reality, foreseeable market conditions limit opportunities for significant appreciation in new home pricing throughout the Inland Empire and can be expected to delay any potential re-start of development activity within the Project Area.

As previously indicated, housing unit capacity represented by underutilized residential property (1,224 residential units) exceeds 95.0 percent of total residential growth capacity within the Project Area (refer to Table 5). The current underutilized status of the residential subdivision projects is a substantial and prevalent blight on housing resources within the Project Area because these projects constitute a large material commitment of private sector and public sector resources towards housing that had to be abandoned prior to completion and also constitute a significant burden on housing growth in Calimesa if factors contributing to current underutilization persist.

Until the price of new homes in the Project Area can generate sufficient sales revenue to fully cover all development-related cost, private sector investment cannot be induced, and the current inventory of underutilized residential property resources will persist. This is a critical and external market constraint which prevents the private-sector from sponsoring and funding necessary housing growth in Calimesa. The prospect of resuming future development activity so that existing residential property resources within the Project Area can be effectively utilized to the benefit of the Calimesa community is predicated on: a) market dynamics likely to dictate local area pricing limits; and b) the economic realities describing the cost of development.

2.4.2.3.3 Calimesa Sub-Market Pricing-Product Outlook

A "Top-Down Bottom-Up" analysis reflects a common approach used to assess the value of a development venture. In its most basic form, a "Top-Down Bottom-Up" approach compares sales-driven revenue against development related cost. The underlying premise is that market pricing establishes the "Top-Down" upper limit of revenue potential that can be reasonably anticipated, while the cost to deliver completed homes to market establishes the "Bottom-Up" cost requirement that must be satisfied. This analytical approach is commonly used to make go/no-go decisions for project investment or to determine the residual value of raw or finished land that can be supported within the market limits of pricing and cost constraints of development.

A top-down bottom-up assessment reflects a necessary form of due diligence to avoid private-sector investment in projects that are economically unfeasible. Profit-based objectives fundamental to private-sector investment preclude involvement in development ventures that do not promise reasonable return on investor capital (pension and investment funds, equity partners, banks, securitized investment, etc.). Invariably, land developers and merchant builders must seek capital funding from independent investors who will scrutinize economic capacity and return potential before funding a development venture. The return requirement that drives capital market decisions precludes private-sector participation in projects lacking economic capacity.

For purpose of this analysis, identifying pricing potential of a newly-constructed home to be marketed in the Calimesa area reflects the "Top-Down" component of this analytical approach. The market-driven pricing of newly-built housing serves to define the limit of revenue that will be generated and available to cover all cost associated with the development (land acquisition, entitlement, impact fees, engineering and construction, marketing and sales, and profit). The price at which newly-built homes are likely to sell can be reasonably estimated by tracking sales transaction activity within a relevant market setting. Appendix A-2 illustrates a scatter graph comparison of market-driven pricing for single-family detached homes sold within the Calimesa area during 2009 and the first part of 2010. Shown is the distribution of transacted prices by unit size for all homes sold (both new and used) regardless of age and homes sold (both new and used) that were no more than three years old at time of sale. Also shown is the price of previously unoccupied new homes being actively marketed at housing projects in the Redlands-Beaumont sub-market.

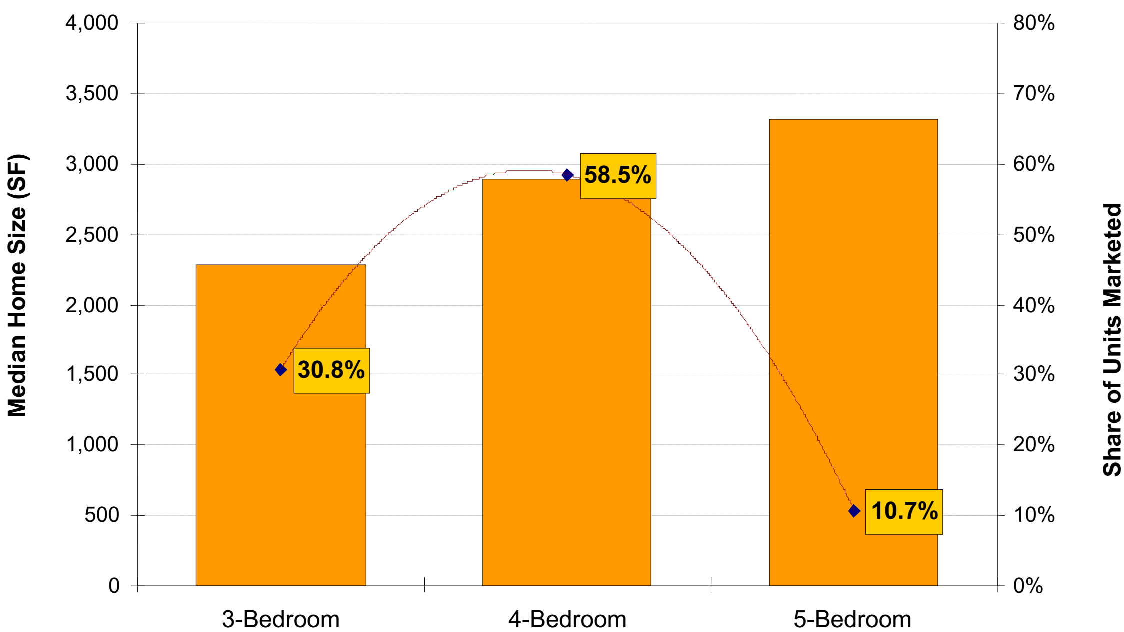
Evident from the scattergraph illustration in Appendix A-2 is that previously occupied homes less than three years old sell for a premium over similar-sized older homes. Also evident from the scattergraph is that new homes are being marketed at a premium over the price of newer homes that have been previously occupied. The identified pricing line for new homes has been adjusted to reflect buyer incentives offered by project sponsors (often ranging from $5,000 to $10,000). Given the challenging outlook for the Inland Empire housing market in 2010, final transacted prices are likely to reflect further negotiated concessions representing another 5.0 to 8.0 percent reduction as summarized in Table 6.

Table 6 New Home Pricing Potential By Size of Unit - Calimesa & Vicinity 2010							
	1,800	**2,000**	**2,200**	**2,400**	**2,600**	**2,800**	**3,000**
Pricing Potential	$242,000	$254,500	$267,000	$279,500	$292,000	$304,500	$317,000

Source: First American Real Estate Solutions; AGA.

Homes marketed to a broad cross-section of consumers, likewise, must satisfy a similarly diverse cross-section of functional requirements, including livable floor space and number of bedrooms. Illustrated in Figure 7 is the market composition of new homes recently marketed for sale within the Redlands-Beaumont sub-market.

Figure 7
Median Size Home and Share of New Homes Marketed

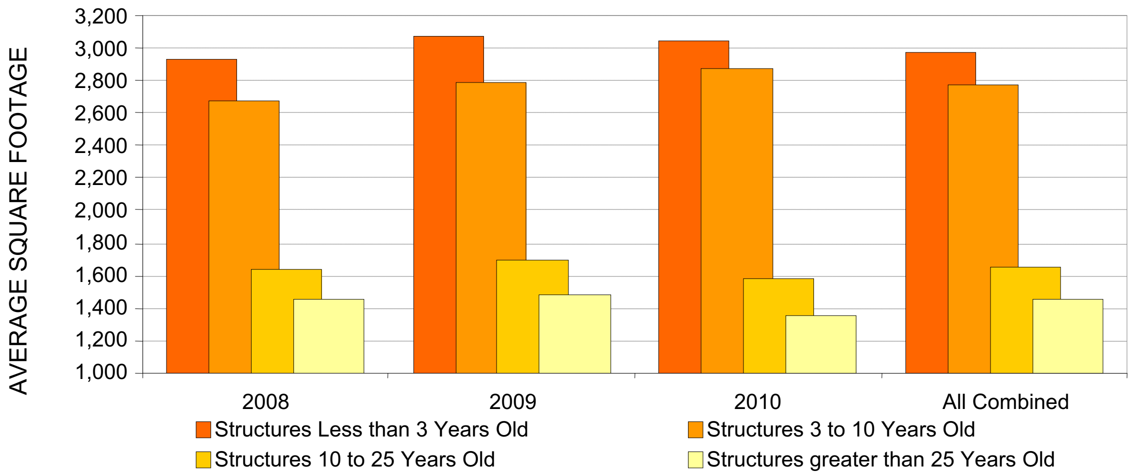


Source: RE Economics; AGA

Shown is the share of new homes marketed by bedroom count within the Redlands-Beaumont sub-market (based on 1,139 unit comparables). Also shown is the median size of homes (square feet of living area) marketed by number of bedrooms. Clearly evident is that three-bedroom and four-bedroom homes account for nearly 90.0 percent of all new homes recently marketed in the surrounding area, while five-bedroom homes account for the remaining 10.0 percent. Excluded from this profile are a very limited number of two-bedroom and six-bedroom floor plans representing an ancillary component of market demand. The mix of home product that is being marketed in the surrounding area strongly influences the mix of product likely to be marketed over the near-term, if new home development resumes within the Project Area. For purpose of this analysis, the spectrum of housing product likely to be marketed at sites within the Project Area over the near-term includes three-bedroom, four-bedroom, and five-bedroom homes.

Home size generally increases with number of bedrooms, as previously illustrated in Figure 7. Locally and nationally, the average size of new homes has increased substantially over the years. The introduction of larger, more expansive and highly-amenitized floor plans become particularly evident during periods of rapid price appreciation, as Figure 8 suggests was evident for homes built after 2000.

Figure 8
Average Unit Size by Age of Structure and Year of Sale



Source: FARES, Inc.; AGA

As shown in Figure 8, homes built within the last 10 years are substantially larger on average than homes built during the previous 15-year period. When a market correction occurs, product designs commonly retreat to more functional layout configurations and basic architectural appointments. The net result is a reduction in unit size. For purpose of this analysis, the average unit size used to characterize future housing development within the Project Area has been reduced 15.0 percent below the size of homes recently marketed at new home projects in the area. The reduction is intended to reflect recession-related pricing limits and corresponding need to offer more functional-driven floor plan designs over the mid-term. Despite an anticipated reduction in the size of new home offerings, size is expected to increase with total bedroom count as indicated in Table 7.

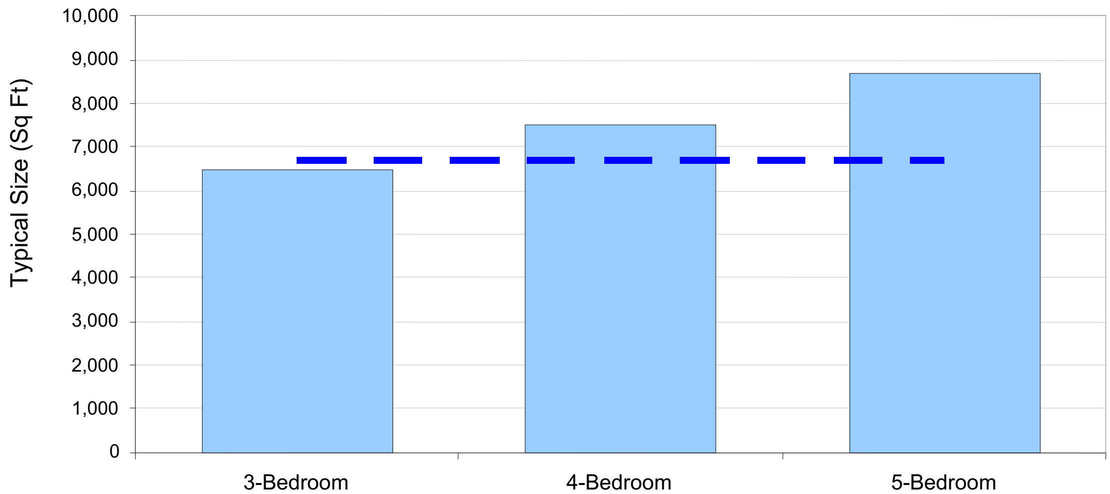
Table 7
2010 Product Outlook - Unit Size

No. of Bedrooms	Sq. Ft.
3-Bedroom	1,940
4-Bedroom	2,460
5-Bedroom	2,820

Source: RE Economics; AGA.

An integral part of single-family detached homes marketed for sale is the size of the lot hosting the residence. The typical lot size describing new homes recently marketed within Redlands-Beaumont sub-market is illustrated in Figure 9.

Figure 9
Average Size of Single-Family Lot - Overall and by Bedroom Count



Source: RE Economics; AGA

As shown in Figure 9, the overall average lot size recently marketed throughout the area is approximately 6,700 square feet in size. The illustration suggests lot size increases with bedroom count, but in reality a single or limited range of lot sizes is typically offered within any given subdivision program. About 27.0 percent of all new homes marketed within the Redlands-Beaumont sub-market since 2008 are on lots 5,000 square feet and smaller, while another 27.0 percent are on lots 10,000 square feet and larger. The remaining 46.0 percent of new homes in the area are on lots ranging in size from 5,500 square feet to roughly 9,000 square feet.

Substantial portions of residential property within the Project Area have been improved for development, meaning the size of lots available to host future housing has largely been predetermined as summarized in Table 8.

Table 8
Project Area Residential Subdivision Lot Sizing

Project Area Development Tract	**Subdivision Lot Sizes (Sq. Ft.)**		
	Smaller	**Average**	**Larger**
Summerwind Ranch	4,200	5,600	7,300
JP Ranch	6,400	6,800	6,800
Mastercraft	10,400	10,400	10,400
Project Area Subdivision Tracts	**4,200**	**6,900**	**10,400**

Source: AGA; UFI.

For purpose of this analysis a 6,800-square-foot lot serves as a reference benchmark in assessing cost requirements for future development within the Project Area.

2.4.2.3.4 Development Cost Requirements

Identifying the cost associated with the development of residential property resources within the Project Area reflects the "Bottom-Up" component of a "Top-Down Bottom-Up" approach to development analysis. The costs associated with a housing development program are extensive but can be generally categorized as follows:

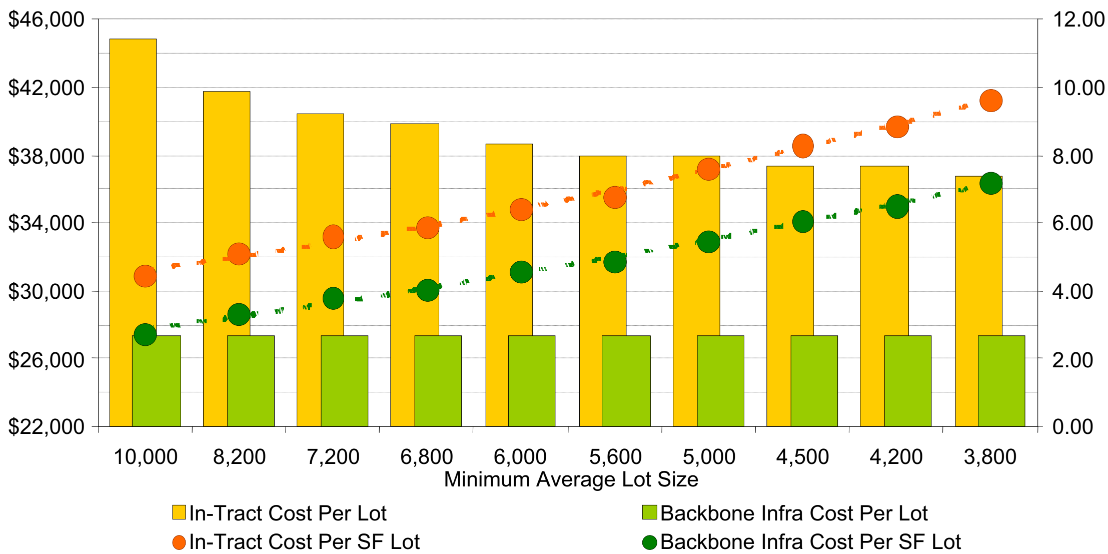
- Land Acquisition and Entitlement
- Site Mapping and Development
- Unit Design and Construction
- Marketing and Sales

Inherent to each category of cost is the notion of financing and profit because each stage of the development process is likely to involve separate sources of funding (investor equity, bank financing, etc.) and participant specialization (land broker, land developer, merchant builder, etc.). Regardless how specific components of cost may be categorized, divided, or bundled they define a minimum threshold level of revenue that must be realized in order for a venture (land development program, merchant builder project, etc.) to have economic merit.

Land acquisition and entitlement generally represent the first in a sequence of events leading to the sale of a finished home product. By contrast, the value attributed to land is regarded as a residual product of the entire value-added process (mapping, grading, roads and infrastructure, finished lots, impact fees, home construction, etc.). In other words, the underlying value of land is only worth what remains after first accounting for all other development costs required to sell a finished home product. This is an important consideration for the Calimesa community because recent structural changes within the Inland Empire housing market (wholesale pricing declines) have effectively eliminated the marketable value of residential property resources within the Project Area and in fact burden existing property resources with negative land value. Negative land value reflects an adverse market condition where the cost to produce a finished lot and habitable structure exceeds the market price of the home, meaning the private-sector cannot be induced into undertake development even if the land is given away. Moreover, land owners of property with negative land value have no economic incentive to dispose of their property, opting instead to let the land remain underutilized in hopes of a future change in market conditions.

The cost of mapping and developing the site with finished lots ready for unit construction is largely an engineering-driven cost function. The cost required to record a map, provide on-site utility service, finish grade lots, construct roads, etc., can vary dramatically from area to area. For purpose of this analysis, Appendix A-3 summarizes preliminary cost factors for a hypothetical 40-acre subdivision reflecting the curvilinear street design and site topography that characterizes abandoned subdivision programs within the Project Area. The preliminary cost summary is based on estimates obtained from a variety of sources for local subdivision programs including portions of the Oak Valley Specific Plan. Component items of cost identified in Appendix A-3 provide the basis for estimating land development cost across a wide spectrum of lot sizes consistent with the lot sizing of existing subdivision programs in the Project Area. Estimated land development cost per lot and cost per square foot describing a single-family residential subdivision in the local area is illustrated in Figure 10.

Figure 10
Estimated Single-Family Land Development Cost



Note: Cost represents preliminary order of magnitude estimate for finished lot construction within 40-acre subdivision on terrain with up to 15% slope gradient. Cost of site acquisition, entitlement, unit impact fees, and unit construction fees is not included as part of In-tract cost. In-tract costs include site grading, residential streets with wet-dry utilities lines, tract engineering, 20% contingency on direct cost 1.5% allowance for Public Works plan check and inspection fees; and 18% gross profit allowance for land developer. Backbone cost are for water trunk lines and lift stations, sewer trunk lines and treatment facility, and major arterial roadways improvements (including TUMF) required to serve the Oak Valley Specific Plan communities. In-tract and backbone costs are additive. Actual cost may vary significantly due to site conditions, subdivision layout design, and municipal fees.

Source: City of Calimesa; Oak Valley Specific Plan-Amendment 1; Korpacz Real Estate Investor Survey; AGA

As shown in Figure 10, the cost to develop and improve land for final building construction consists of two component parts—in-tract cost and backbone cost. Identified in-tract cost reflects improvement items that can be anticipated with a moderately-sized residential project (rough and finish grading, in-ground utilities lines and laterals, residential street paving and sidewalks, etc.) that is merely extending municipal services into the subdivision from adjoining area utility trunk lines and arterial roadways.

Identified backbone infrastructure cost is based on preliminary cost estimates for major water and sewer distribution and treatment facilities and major roadways improvements required in connection with the 2,590-acre Summerwind Ranch community of the Oak Valley Specific Plan, of which roughly 553 acres is located within the Project Area.

As shown in Figure 10, total in-tract land development cost decreases as the size of the residential lot decreases, while corresponding cost per square foot of lot area increases. Estimated in-tract cost for land development generally ranges from $4.50 per square foot for a 10,000-square-foot lot to $8.90 per square foot for a 4,200-square-foot lot, excluding land purchase and entitlement cost. By comparison, the estimated backbone infrastructure cost associated with land development remains largely unchanged regardless of the size of the single-family lot. The reason backbone infrastructure is fixed is because such cost is assigned according to the estimated unit demand on facility resource capacity. In other words, all single-family detached residences are expected to generate roughly similar vehicle trips, waste effluent, etc., regardless of unit size or lot size due to comparable unit occupancy demands. The estimated cost of backbone infrastructure is estimated at $27,400 per unit and represents 60.0 percent in additional cost for a 10,000-square-foot lot but about 75.0 percent in additional cost for a 4,200-square-foot lot.

The full or partial cost of backbone infrastructure may not apply equally to all residential subdivision projects within the Project Area. The large-scale scope of development associated with the Oak Valley Specific Plan and absence of base infrastructure facilities west of the I-10 Freeway dictates an added cost burden for development in this area of Calimesa, including the Summerwind Ranch portion of the Project Area. For purpose of this analysis, it is assumed subdivision development within the JP Ranch and Mastercraft project does not dictate the construction of new backbone infrastructure facilities but merely the payment of impact fees in connection with residential unit construction.

Unit construction represents the single largest value-added function of the development process. As with land development, the cost of unit construction is influenced by the size, design, and quality of construction. Tract homes of average-quality materials and design are most likely to describe the type of homes built and sold within the Project Area within the foreseeable future. The direct cost (board and nail cost) to build homes of varying construction quality is summarized in Appendix A-4, based on the Marshall and Swift Residential 2010 Construction Handbook. This subscription resource provides a reasonably good estimate of the direct cost (including construction labor) incurred to construct homes in the Calimesa area. Unit construction cost is also affected by the local regulatory process, which establishes fees that must be paid in advance of demand on public resources (sewer capacity, roadway congestion, school enrollment capacity, etc.) associated with unit occupancy.

Based on subscription-based estimates of construction cost and City-identified impact fees, the overall effective cost to construct a single-family residential unit within the City of Calimesa is itemized in Appendix A-5. Unit construction cost is detailed for three-bedroom, four-bedroom, and five-bedroom units describing the most probable mid-sized homes to be marketed for sale if development resumes at existing subdivision projects within the Project Area. The estimated cost of home construction across a spectrum of unit sizes is summarized in Figure 11.

Figure 11
Estimated Single-Family Unit Construction Cost

Note: Cost represents preliminary order of magnitude estimate for single-family unit constructed on a finished lot. Cost of site acquisition, entitlements, or land development not included. Figures describe direct cost of unit construction (including 15% contingency) plus estimated cost of building permit-inspection fees; impact fees; and service connection fees (12.5% to 15.0% of direct cost). Figures characterize cost of "average quality" stucco unit with modest fenestration. In addition to stated living area, estimated cost includes allowance for garage (200 sq ft per space); and patio cover (10% of living area).

Source: City of Calimesa; Marshall & Swift Residential Cost Handbook-2010; AGA

As shown, the cost of single-family home construction ranges according to unit size. Within the Project Area home construction cost is estimated to range from approximately $204,000 (or $105 per square foot) for a 1,940-square-foot three-bedroom home to $269,000 (or $95 per square foot) for a 2,820-square-foot five-bedroom home, not including cost associated with land acquisition, entitlement, or land development.

Cost associated with the marketing and sales of constructed units varies according to the level of advertising, model home amenities, and promotion required to generate foot traffic and serious buyer interest. A promotional and advertising allowance equal to 1.0 percent of the unit price plus sales commissions equal to 1.5 percent of the purchase price can be reasonably expected to reflect the marketing and sales budget required for a new home development program. For purpose of this analysis, marketing and sales is estimated to equal 3.0 percent of the cost of unit construction.

2.4.2.3.5 *Depreciated Property Value and Project Area Housing Resources*

The depreciation in property value impacting the larger Inland Empire housing market has also impacted marketable home value within the City of Calimesa. The local wholesale decline in housing value, nearly a 60.0 percent drop between 2007 and 2009, reflects a structural correction due to unsustainable market dynamics that existed in the years leading up to the current recession. Because the depreciation in value reflects a structural change, current new home value (the price at which new homes can be sold) is not expected to rebound, but modestly increase at a pace that reflects regional employment and worker earnings growth (likely not to exceed 2.0 percent over the mid-term). The near-term pricing outlook for newly-developed mid-sized homes within the Project Area is summarized in Table 9.

Table 9
Project Area Product Pricing Potential - 2010

Number of Bedrooms	Size (Sq. Ft.)	Price
3-Bedroom	1,940	$237,000
4-Bedroom	2,460	$268,000
5-Bedroom	2,820	$289,000

Source: RE Economics; AGA.

Since new home value began to decline sharply in 2007, new home construction activity throughout the Inland Empire area and within Calimesa has effectively withered because depreciated pricing potential is no longer able to sustain a development cost structure based on rapidly-appreciating value. The necessary market correction has effectively resulted in the abandonment, closure, or sharp curtailment of home sale activity within the Project Area and has rendered the vast majority of existing residential property resources (representing 1,224 out of 1,269 units) underutilized.

Whether or not the current underutilization of residential property in the Project Area persists over the long run is dependent on how market-rate home values compare against estimates of the required cost to engage in housing development. For purpose of this analysis, required development cost also includes the profit incentive to induce private sector involvement. Without a profit inducement for private sector involvement, the vast majority of property previously included among active residential projects will remain closed and abandoned.

Appendix A-6 assesses the economic outlook for market-rate housing development within subdivision projects of the Project Area that are currently closed or abandoned. Appendix A-6 compares new home pricing potential for mid-size homes against the corresponding cost of development in order to assess the economic merit of resuming housing development within the Project Area. The economic merit of pursuing new home development within the Project Area is summarized in Table 10.

Table 10 Economic Outlook Of Housing Development			
DEVELOPMENT CRITERIA	**3-BEDROOM**	**4-BEDROOM**	**5-BEDROOM**
Living Area of Home (Sq. Ft.)	1,940	2,460	2,820
Revenue From Home Sales			
Unit Pricing Potential	$237,000	$268,000	$289,000
Effective Value/Sq. Ft.	$122	$109	$102
Cost of Home Development	(6,800 SF Lot)	(6,800 SF Lot)	(6,800 SF Lot)
Land Development	$39,900	$39,900	$39,900
Unit Construction	204,000	239,000	269,000
Sales & Marketing	6,100	7,200	8,100
Cost Sub-Total	$250,000	$286,100	$317,000
Effective Cost/Sq. Ft.	$129	$116	$112
Residual Value of Land	No Value	No Value	No Value
Effective Value/Sq. Ft. Lot	n.a.	n.a.	n.a.
Economic Gap of Development			
Revenue-Cost Gap	($13,000)	($18,100)	($28,000)
As Percent of Unit Price	-5.5%	-6.8%	-9.7%
Note: Cost of development excludes land acquisition-entitlement.			

Source: AGA.

The summary in Table 10 makes clear that the potential pricing of a newly-built home within the Project Area does not cover the corresponding cost of development (land development cost and unit construction cost). The identified shortfall (economic gap) does not take into consideration the cost associated with land acquisition and entitlement. Further, the identified economic gap does not include added backbone infrastructure cost that must also be covered if development is to resume within the Summerwind Ranch portion of the Project Area (west of the I-10 Freeway). A significantly larger economic gap plagues future prospects for single-family residential development in the western portion of the Project Area as summarized in Table 11.

Table 11 Economic Gap of Development - Summerwind Ranch Properties			
Development Criteria	**3-Bedroom**	**4-Bedroom**	**5-Bedroom**
4,200 SF Lot:			
Revenue-Cost Gap	($37,800)	($42,900)	($52,800)
As Percent of Unit Price	-15.9%	-16.0%	-18.3%
5,600 SF Lot:			
Revenue-Cost Gap	($38,475)	($43,575)	($53,475)
As Percent of Unit Price	-16.2%	-16.3%	-18.5%
7,300 SF Lot:			
Revenue-Cost Gap	($41,100)	($46,200)	($56,100)
As Percent of Unit Price	-17.3%	-17.2%	-19.4%
Note: Economic gap reflects $27,375 in additional cost per lot for backbone infrastructure improvements needed to serve the area west of the I-10 Freeway.			

Source: AGA.

The economic gap identified for a residential project including and excluding the extra cost burden of backbone infrastructure is significant because new home pricing identified above reflects a structural shift that will preclude future development within the Calimesa area without external assistance to bridge the shortfall and create an economic incentive for private-sector participation. Given the shortage of fiscal resources impacting the General Fund Budget and Capital Improvement Budget of small communities such as the City of Calimesa, redevelopment represents the only realistic source of material assistance (through tax-increment and other implementation mechanisms authorized under the law) to induce private-sector activity. Varying forms and amounts of redevelopment assistance can be expected and related to entitlement, land acquisition, and project development as noted below:

- Entitlement approval for 1,296 residential units within the Project Area has already been granted by the City, minimizing outlays required in connection with entitlement approval, if development resumes within the near-term future. If development activity is precluded over the mid-term (three to five years), mapping approvals for more than one-half the housing unit capacity of the Project Area (over 680 units) could lapse due to extension limits on map approvals. The re-filing and recording of subdivision tracts represents a financial outlay and administrative process that will require the assistance of redevelopment.

- There is a strong likelihood that property ownership for abandoned residential subdivision properties has already reverted back to the bank or underlying property owner. The structural shift in the area housing market paints a dire outlook for the underlying value of land because of the significant shortfall that distinguishes sales revenue and development cost. Given the negative value that describes residential property resources in the Project Area, recently abandoned residential subdivisions will remain in a current state of partial or abandoned development indefinitely. There is little meaningful economic inducement for property owners to dispose of their residential property holdings without compensation. Redevelopment involvement and assistance in the disposition of existing subdivision projects will be required.

- As summarized in Tables 10 and 11 above, there is an economic gap (shortfall of revenue versus cost) ranging from approximately 5.5 percent to 19.5 percent of the near-term market value of a newly-built home in the Project Area. The indicated gap significantly reduces or eliminates the implied profit opportunity associated with development equal to approximately 8.8 percent of the near-term market value of a home (Refer to Appendix A-6). In effect, the profit inducement for private sector involvement is effectively eliminated by the indicated shortfall. Significant redevelopment assistance to reduce or eliminate the economic gap describing site development and unit construction will be required.

Without active public-sector assistance through redevelopment as outlined above, the private-sector will not be able undertake and sponsor meaningful development within the Project Area, and existing residential property resources will remain substantially underutilized over an indefinite and long-term period.

2.4.2.4 Impact of Graffiti on Nearby Property Values

Evidence of graffiti (visible graffiti or graffiti removal) is widely recognized as a territorial marking by criminal gangs active in a given area. Such outward signs of criminal activity suggest that nearby properties are subject to routine vandalism and may be plagued by an elevated crime rate. Private enterprise and potential investors can invest their funds anywhere they wish. Such investment will, almost invariably; seek the highest return for the lowest risk. When investors are given the opportunity to invest in properties where no evidence of ongoing criminal activity exists and properties with a perceived crime threat, whether real or not, investors will tend to place their money in what appears to be the safest investment. As one would expect, this tendency will typically result in a higher value being placed on properties which are perceived to be “safe,” and will erode the value of those properties located in areas which are perceived as being “unsafe” or subject to a high crime rate.

City officials report that the exterior wall around the Summerwind Ranch is a regular target for extensive graffiti tagging.[9] Although it is impossible to quantify the devaluing effect that such graffiti has on local property values, City officials assert that it affects the economic viability of the entire community by giving potential investors the impression that the area is subject to gang activity. Photographs of previous instances of graffiti on the walls surrounding the Summerwind Ranch are included herein as Figures 12 and 13.

[9] Per Ms. Judith Von Klug, Redevelopment Manager, July 22, 2010.

Figure 12
Graffiti on Walls Surrounding the Summerwind Ranch

Figure 13
Graffiti Near the Intersection of Cherry Valley Blvd. and Palmer Avenue

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2.4.2.5 Summary of Economic Conditions

Economic conditions currently exist within the Project Area that serve to limit effective utilization of residential property resources needed to realize significant economic growth in the community. The extensive nature of economic conditions and scope of property resources affected indicate existing economic blight is substantial and prevalent throughout the Project Area and cannot be reversed or eliminated by the private sector, by the public sector, or by the private sector and public sector working in cooperation without redevelopment as summarized below:

- Residential land use has an important and dominant role in defining property resources of the 1,143-acre Project Area. The Project Area hosts three of the largest residential subdivision projects undertaken within the City of Calimesa. All combined, the abandoned residential subdivisions include property resources with the capacity to add 1,296 housing units on 273 acres (including residential lots and residential streets but excluding drainage and open space areas within each subdivision). These residential development projects were approved by the City, mapped for development, and in various stages of construction and sales before being closed or abandoned due to the recession. The amount of land area (273 acres) and potential housing units (1,296) represent a substantial share of property resource potential describing the Project Area that is effectively underutilized for its intended purpose.
- The current economic recession was sparked by widespread and unsustainable dynamics in the home sale, mortgage financing, and mortgage securities markets. By 2007, the Inland Empire housing market was being impacted by growing market instability. Over the past three years, the area housing market has undergone structural changes characterized by wholesale depreciation in the marketable value of homes and volume of sales activity that can be realistically supported under a new market paradigm that is more closely tied to overall growth in regional employment and worker payroll earnings than in previous housing cycles. Between 2007 and 2009, the median price of homes sold within the surrounding region has declined by nearly 60.0 percent. Local housing programs within Calimesa and vicinity have not been immune to the dramatic but structural decline in home values. Current market conditions reflect unit pricing and sales dynamics expected to dictate development opportunity within the local area housing market over the foreseeable future.
- Whether or not Project Area residential property resources will remain underutilized for an indefinite period is dependent on how market rate home values compare against the estimated cost to resume housing development within the Project Area. A detailed assessment of new home pricing potential within the Calimesa area and cost describing new home development shows there is a significant economic gap between sales revenue potential and the cost required to developed finished lots and construct residential homes (Refer to Appendix A-6, Table 10, and Table 11). The absolute value of the economic gap ranges from $13,000 to $28,000 per unit (5.5 to 10.0 percent of unit value) in eastern portions of the Project Area that can be readily connected to existing backbone infrastructure facilities and from $38,000 to $56,000 per unit (16.0 to 20.0 percent of unit value) in western portions of the Project Area requiring the construction of backbone infrastructure to serve committed development.

- The economic gap that describes the outlook for housing development within the Project Area makes clear any economic inducement for the private sector to resume housing development has been effectively eliminated. Without the prospect of fair compensation, current owners of the closed and abandoned subdivision properties have no economic inducement to sell their land to another homebuilder. In effect, there is a structural economic gap describing the prospect for future development of housing within the Project Area that cannot be overcome with resources at the disposal of private sector or public sector participants acting alone or in cooperation without the assistance of redevelopment.
- Portions of the Project Area are marred with graffiti on an ongoing basis. The existence of such graffiti has left potential investors with the impression that portions of the community are subject to gang activity and an elevated crime rate. Although it is nearly impossible to quantify the specific value reduction that has occurred as a result of the frequent occurrences of graffiti in portions of the Project Area, the resulting stigma on the community has made portions of the Project Area appear less attractive to new investors and resulted in an undeterminable depreciation in local property values.

2.4.3 Additional Conditions Described

The purpose of this section is to describe the existing additional conditions in the Project Area as provided for in CCRL Section 33030(c). The State Legislature has recognized that inadequate public improvements (characterized generally as the storm drain system, deficient streets and roads, and missing or broken curbs and gutters) or inadequate water or sewer utilities negatively affect a community, and has determined that such conditions add to the existence of blight in a blighted area.

As will be discussed in further detail below, the lack of streets, curbs, gutters, sidewalks, and storm drains in portions of the Project Area has created problems with respect to traffic circulation, pedestrian safety, soil erosion, and drainage that directly affect the residents of the Project Area and adjacent neighborhoods and indirectly affect residents citywide.

Figure 14 shows the location of deficient infrastructure identified within the Project Area during the field survey completed in August 2009. This lack of maintenance of the public right-of-way is dangerous and is an indication that the neighborhood and larger community have fiscal problems and presents a deteriorated and dysfunctional aspect of the community both to residents and potential investors. Missing or deteriorated streets, curbs, gutters, and sidewalks also represent potential health and safety issues because they increase the likelihood of pedestrian and/or vehicular accidents.

As indicated earlier in Section 2.4.1 of this Report to Council and shown in Figure 14, many of the Project Area's parcels are not located adjacent to paved public streets and are, therefore, undevelopable at this time without financial assistance to aid in the construction of missing public improvements. Furthermore, there is an apparent lack of connectivity in the street grid between Singleton Road and Bryant Street at the northeast corner of Sub-Area A. City officials relate that this gap in the City's traffic circulation system complicates the efforts of local police and fire officials to respond to life-threatening emergencies in the JP Ranch because they are forced to access the site via a gated driveway off of Fremont Street, a long and circuitous route that adds to emergency response times. Although City officials envision that the Bryant-Singleton connection will eventually be built, the timetable for its construction is wholly dependent upon when, and if, additional development occurs within the boundaries of the now defunct JP Ranch project. As discussed in further detail in Section 2.4.2, new home construction at the JP Ranch site is likely to be years away. If the blighting conditions described above remain until new development occurs, the residents of JP Ranch will be subjected to uncertain police and fire response for years to come.

In addition to the local circulation issues described above, the Project Area also suffers from impaired access to the regional freeway system. Local freeway access in the Project Area and surrounding vicinity is provided via two aging interchanges on the 10 Freeway, Singleton Road and Cherry Valley Boulevard. The Singleton Road interchange is a “partial” interchange, which provides access to Singleton Road only to those motorists traveling westbound on the 10 Freeway. Furthermore, the interchange also lacks an onramp to the westbound 10 Freeway, which forces motorists to travel northwest on Calimesa Boulevard to the Calimesa Boulevard interchange in order to access the westbound lanes of the 10 Freeway. According to City staff, these missing onramp/offramp facilities must be completed in order for the local circulation system to adequately handle the increase in vehicle trips expected to be added by new development within and in the vicinity of the Project Area.[10] The Singleton Road and Cherry Valley Boulevard interchanges both feature two lane bridges over the 10 Freeway and single lane onramps and offramps, which have received little or no upgrade since their construction in the 1960’s. Capacity at both of these interchanges will need to be substantially increased in order to accommodate the growth in daily vehicle trips generated by the new housing developments proposed within the Project Area. Without the completion of these necessary improvements, motorists will experience significant traffic delays in the Project Area in the future.

As depicted in Figure 14, many of the streets in the Project Area lack curb and gutter improvements. This is especially problematic given that many of the erosion controls installed in the Project Area’s defaulted or delayed housing tracts have begun to fail (see Section 2.4.1 of this Report to Council for additional information). During significant rainfall events, the lack of curbs and gutters in certain portions of the Project Area permits storm water runoff from adjacent properties to sheetflow across the pavement surface. City staff report that the lack of a storm water drainage system in the Mastercraft development and the failure of soil erosion prevention measures caused flooding in Sharondale Mesa, the neighborhood located across Singleton Road from the Mastercraft development, during a winter storm event in January 2010.[11] In addition to causing property damage in Sharondale Mesa, runoff from the Mastercraft development also washed out portions of Singleton Road, one of the few access roads to the JP Ranch and Mastercraft developments in Sub-Area A.

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10 Telephone conference with Mr. Mathew Evans, Senior Planner, City of Calimesa, on Tuesday, July 6, 2010.

11 *Ibid.*

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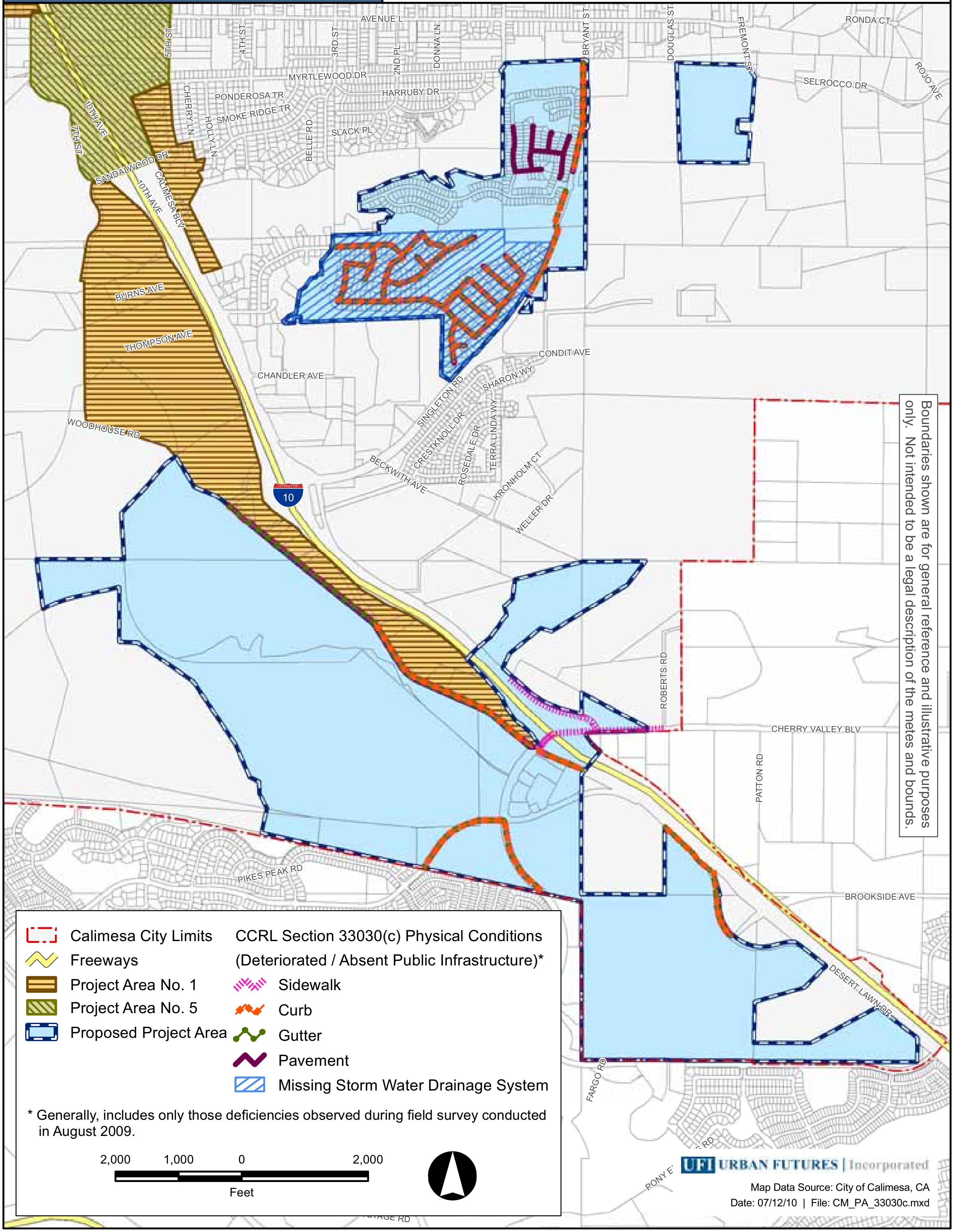
FIGURE 14
INADEQUATE PUBLIC INFRASTRUCTURE

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency



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The failure of the planned housing tracts in the Project Area has rendered the private sector unable to provide the requisite funding needed to repair the previously installed erosion controls or install new infrastructure. Likewise, City staff report that the City does not have access to the financial resources required to correct these infrastructure deficiencies. Absent the introduction of any new outside funding sources and none are envisioned in the foreseeable futures, the lack of public improvements in the Project Area is likely to persist for an indeterminable period. Should the City Council elect to approve and adopt the Redevelopment Plan, the Agency intends to use redevelopment funds to assist in the repair and installation of streets, curbs, gutters, sidewalks, and a storm water drainage system within certain portions of the Project Area.

2.4.4 Statement Providing Compelling Evidence That Conditions of Physical and Economic Blight are Both Substantial and Prevalent Throughout the Project Area

The information provided above in Sections 2.4.1, 2.4.2, and 2.4.3 of this Report to Council establishes that conditions of physical and economic blight predominate throughout the Project Area and the incidence of such conditions is prevalent and substantial.

2.5 Necessary for Effective Redevelopment

CCRL Section 33320.2 states that an unblighted, non contiguous area shall be conclusively deemed necessary for effective redevelopment if that area is being used predominantly for:

(1) The relocation of tenants from other non-contiguous areas in the same project area or from other project areas in the community.

(2) The construction and rehabilitation of low- or moderate-income housing.

As discussed elsewhere in this Report to Council, the majority of the Project Area consists of defaulted or delayed housing tracts and specific plans. Although evidence set forth herein suggests that prevalent and substantial physical and economic blight exists within the Project Area, an additional factor for including these areas is because they are necessary for effective redevelopment, as provided for in CCRL Section 33320.2.

The expansion of a community's affordable housing supply is one of the fundamental purposes of redevelopment. The Agency has an opportunity to assist in the construction of low and moderate income housing within the defaulted or delayed housing tracts and specific plan areas included in the Project Area. The referenced areas have already been evaluated by the City's Planning, Building, and Public Works Departments, and the approved plans and maps demonstrate the vision of the City's General Plan and Housing Element. Should the City Council elect to adopt the Plan, the Agency will be able to participate in the acceleration of redevelopment in the defaulted or delayed housing tracts, and a blighting influence will be turned into a community asset.

The Agency has determined that the proposed Project Area presents an opportunity for the production of new housing units to help meet the City's 2006-2014 Regional Housing Needs Allocation (RHNA). The RHNA is mandated by State law and quantifies the need for housing within each jurisdiction during specified planning periods. Every city in California is expected to produce new units to correspond to the RHNA numbers.

In order to meet the primary goal of the provision of affordable housing commensurate with RHNA obligations, while helping to remediate impacts to the housing and construction industries that have exacerbated conditions of blight in the community, the Agency shall, as appropriate and necessary, allocate a percentage of tax increment greater than twenty percent (20%) of the gross tax increments received by the Agency for the purposes expanding housing opportunities for residents and households of very low-, low-, and moderate- income.

The Plantation on the Lake community has been included within the Project Area because it, too, is deemed necessary for effective redevelopment. By including this portion of the community within the Project Area, residents and property owners would be eligible to participate in redevelopment programs at some point in the future. For example, the Plan would grant the Agency authority to offer low-interest rate loans or grants to qualified homeowners for the purpose of completing rehabilitation projects. The Agency could also provide interested owners with funding assistance to complete site improvements and community facilities. Property owner participation in the Agency's projects and programs would occur on a strictly voluntary basis typical of Agency policy.

The same future redevelopment benefits will be available for residents in the Rancho Calimesa community.

2.6 Description of Why Blight and Affordable Housing Construction Cannot Be Addressed by Private Enterprise or Governmental Action, or Both, Without Redevelopment

2.6.1 Inability of Private Enterprise Acting Alone to Reverse Blight in the Project Area

As described in Section 2.4 of this Report to Council, the Project Area suffers from physical and economic conditions of blight. Private property owners tend not to invest their own dollars in the absence of such investment elsewhere in the community. As shown by the level of bankruptcy in the Project Area, the risks involved in the redevelopment of properties in the Project Area outweigh the potential "reward" which private enterprise, acting alone, could anticipate from such rehabilitation or redevelopment. The fact is that private enterprise can invest its funds anywhere in California and such investment will, almost invariably seek the highest return for the lowest risk. Given development patterns in the Inland Empire particularly in light of the current severe, and possibly long-lasting recession, such development will typically lean toward non-blighted areas closer to employment centers in Los Angeles and Orange Counties. In the absence of public assistance to make blighted areas such as the Project Area competitive with such areas, it is reasonable to conclude that private enterprise will invest elsewhere.

2.6.2 Inability of Governmental Action Acting Alone to Reverse Blight in the Project Area

As described above, the City has only limited authority and powers to ameliorate the conditions of blight found in the Project Area. Cities enjoy no new police or regulatory powers now than they did in the 1950's and 1960's when the State Legislature found that redevelopment pursuant to the CCRL was necessary to eradicate the deleterious conditions found in "blighted areas" as defined in the CCRL. Because these deleterious conditions have persisted over time, and in response to this lack of investment, the City Council has instituted the current proceedings to create the Project Area.

Without redevelopment, local government agencies like the City have only limited powers and resources to positively affect portions of the community such as the Project Area. One of these powers is the power of regulation, whereby cities, using their police powers, "regulate" certain activities and improvements to real estate in incorporated areas under their jurisdiction. Such regulation suffers from two drawbacks. In the first place, regulation, by its nature, demands "minimum" standards to which all must comply rather than encouraging individual property owners to improve their properties to higher standards.[12] Secondly, City general funds, which have been greatly reduced over the past decades, can only in very limited cases be expended to upgrade specific private property or in any other way be "proactive" with respect to community image building and economic development. Other than expenditure of these City funds for public works, or the use of very limited federal or State grant funds (which have also been substantially reduced) in conjunction with private development, a city cannot upgrade specific private property. Even those city funds available for economic development have been greatly reduced over the past decades. The federal government has substantially reduced its level of funding for economic development activities. California voters adopted Proposition 13 which imposed significant restrictions on new or increased property taxes. In November 1996, voters approved Proposition 218 which requires voter approval to impose, increase, or extend taxes and other government levies. Propositions 13 and 218 together make it extremely difficult, if not impossible, for local governments to raise additional funds.

2.6.3 Affordable Housing Production

The City has an opportunity to take advantage of the availability of lots in approved specific plans and tentative tract maps, thus saving considerable time and money in the processing of affordable housing projects. If the improved lots in the defaulted or delayed housing tracts can be regraded and connected to the requisite infrastructure, the subdivisions can be made ready for housing construction again, but homebuilders are concerned about buyers. The Agency could demonstrate its seriousness in promoting the purchase of homes by first time home buyers through an active First Time Home Buyers Program, thereby facilitating and supporting the resurgence of the local residential housing market.

However, without adequate LMI Housing Funds to subsidize the cost of homeownership, few low- and moderate-income persons or families would be able to afford the purchase of a new home. The City does not have the financial resources to construct or subsidize affordable units without redevelopment funds. The Project Area is necessary for effective redevelopment because if offers an opportunity for the Agency to support the construction of affordable housing that is

[12] In this regard, it should be noted that the underlying rational for the use of a city's police powers (including zoning, general plan compliance, uniform building code compliance, and nuisance abatement) has remained substantially unchanged since the inception of redevelopment law in the 1950's.

not available elsewhere in the City as discussed in Section 2.5 of this Report to Council.

3.0 PRELIMINARY ASSESSMENT OF PROPOSED METHOD OF FINANCING REDEVELOPMENT OF THE PROJECT AREA

3.1 General Financing Methods Available to the City

Even without redevelopment, there are a number of funding sources potentially available to local governments in California. Some of these, such as community development block grants, economic development administration grants and Small Business Administration loans and loan guarantees, derive from the Federal government; while others, such as enterprise zone funding, State commerce department grants and loans, and employment training grants and loans, derive from State government; still others, such as industrial development and mortgage backed bonds, private bank Community Reinvestment Act financing and assessment district financing, and private/public financing sources derive from private sources in concert with public entities; others, such as reductions in or reduction of the cost of permits and other fees, derive from the local governments. Unfortunately, none of these, save for the permits and fees reductions, are under local control, or are definite and ongoing. All are subject to their own budgetary constraints at the Federal or State level, and are further subject to lengthy application or arcane administrative procedures which make ready application of their benefits to any given real estate transaction, in which "time is of the essence," problematic at best. Moreover the combined effect of Propositions 13 and 218 make it nearly impossible for local agencies to provide effective, workable funding mechanisms needed for comprehensive development strategies. Only redevelopment provides a funding source subject to local control, reliable and secure, with sufficient flexibility to keep up with the ever changing practices of real estate development.

3.2 Methods of Financing Redevelopment of the Project Area Through the Agency

The Redevelopment Plan will provide the framework for the various "tools" of financing available to the Agency. The following is a summary of financing methods.

If the Redevelopment Plan is adopted by the City Council, the Redevelopment Plan will contain authority for the Agency to finance redevelopment of the Project Area using tax increment, interest income, Agency bonds, loans from private institutions, proceeds from the sale or lease of property, financial assistance from the County, State of California, Federal Government, or any other public agency, or any other legally available source.

The City may, in accordance with law, make advances and expend money as necessary to assist the Agency in carrying out the redevelopment of the Project Area. Any such assistance shall be on terms established by an agreement between the City and the Agency. The City has available to it various public infrastructure funds including gas tax funds. As available and appropriate, gas tax funds may be used for the street system. Also, federal loans and grants may be used to finance portions of redevelopment costs for the Project Area.

Under authority of the CCRL the Redevelopment Plan provides authority for the Agency to issue tax exempt or taxable bonds and notes if appropriate and feasible in an amount sufficient to finance all or any part of the redevelopment of the Project Area. Bonds could be issued to finance mortgages, to establish a revolving loan fund, or to establish any other kind of housing assistance program. Loans could be made with deferred interest to keep monthly housing costs down for eligible low and moderate income households. Mortgage Revenue Bond money could also be used for construction in rehabilitation areas. In addition, tax increment secured bonds or notes could be used for both single-family and multi-family rehabilitation programs. Assessment district bonds can be used for the financing of infrastructure landscape and lighting improvements; however, since the repayment of such bonds becomes an additional burden on the properties, such financing schemes are not always appropriate for blighted property. This is particularly the case where rents are already "maxed" out and cannot absorb a greater burden.

Under authority of the CCRL the Redevelopment Plan also provides authority for the Agency to obtain advances, borrow funds and create indebtedness in carrying out the redevelopment of the Project Area. The principal and interest on such advances, funds, and indebtedness may be paid from tax increments or any other funds available to the Agency.

Any other loans, grants, guarantees, or financial assistance from the federal government or any other public or private source will be utilized if available as appropriate in carrying out the redevelopment of the Project Area.

3.3 Assessment of Economic Feasibility of Redevelopment of the Project Area and Reasons for Including Tax Increment Allocation Provisions

As described in Section 1.0 of this Report to Council, the Agency transmitted a statement declaring its intent to use the 2010-11 equalized property tax assessment roll rather than the FY 2009-10 equalized roll as the base year assessment roll to be used for the allocation of taxes derived from the Project Area to the State Board of Equalization, Affected Taxing Entities, and others on November 18, 2010, in accordance with the provisions of CCRL Section 33328.5(a). In response, the Agency received a report from the Riverside County Auditor-Controller, pursuant to the requirements of CCRL Section 33328.5(b); said report is included herein as Appendix B. Based upon the information contained in the report prepared by the Riverside County Auditor-Controller for the FY 2010-11 Base Year, the Base Year Value for the Project Area is $80,193,922.

A flat growth rate value projection has been applied to the Base Year Value of the Project Area, as reported by the County Auditor-Controller, during the first four years of the Redevelopment Plan, two percent per year between the fifth and tenth years of the Plan, and three percent thereafter. Further, the Agency projects that future residential development will occur as a result of the Agency's assistance starting in FY 2015-16, and that such development will continue to occur through FY 2039-40. Based upon said assumptions, the Project Area is projected to generate a total of approximately $191 million in tax increments over the period during which the Agency could collect tax increment (see Appendix C). As shown in Appendix C, of this amount, 20 percent (or approximately $38.2 million would be deposited into the Agency's LMI Housing Fund and nearly $64.5 million would be paid to the Affected Taxing Entities. Altogether, the Agency is projected to retain approximately $126.4 million in tax increment revenue, which it may use to fund the completion of its projects and programs within the Project Area.

Even with the approximately $126.4 million in tax increment revenue, it is probable that the Agency will need additional funding to implement the Redevelopment Plan and eliminate blight in the Project Area. Such additional funding sources have been identified above in Section 3.1 of this Report to Council. Furthermore, it is anticipated that, during the life of the Plan, additional funding sources may be instituted either by Federal, State, or local regulation and that additional private enterprise, acting in concert with such new funding, will assist in the elimination of blight and development in the Project Area. These "public/private partnership" activities advance the purposes of the CCRL and other community improvement goals and objectives and make the redevelopment of the Project Area and the provision of affordable housing opportunities economically viable.

3.4 Reasons for Including a Provision for the Division of Taxes Pursuant to CCRL Section 33670 in the Redevelopment Plan

As described in earlier sections of this Report to Council, the Redevelopment Plan will include a provision which would permit the Agency to receive real property taxes divided and allocated pursuant to CCRL Section 33670. The reasons for this are threefold: i) private enterprise acting alone has not reversed or eliminated blight in the Project Area; ii) neither the City nor other divisions of local or State government acting alone have been able to reverse or eliminate blight in the Project Area; and iii) there is therefore a necessity to, and an interest in using the special powers and authorities of redevelopment pursuant to the CCRL to reverse the blight in the Project Area.

3.5 Information Required by CCRL Section 33328.5(c)

3.5.1 Summary of Consultations with Affected Taxing Entities

All Affected Taxing Entities were provided with copies of the Preliminary Report and the Initial Study prepared for the Project for their review. In the cover letter which accompanied the Preliminary Report, each Affected Taxing Entity was given the opportunity to consult with Agency representatives about matters related to the Project. To date, the Agency has not received requests for consultations from any of the Affected Taxing Entities regarding the Project Area.

3.5.2 Description of Physical and Economic Conditions of Blight in the Project Area

A description of the conditions of physical and economic blight in the Project Area was provided in Section 2.4 of the Revised Preliminary Report and is included in Section 2.4 of this Report to Council. As described in Section 1.0, the Revised Preliminary Report and this Report to Council provide additional documentation regarding blighting conditions within the Project Area not previously included in the Preliminary Report.

3.5.3 Analysis of Fiscal Reports Prepared Pursuant to CCRL Sections 33328 and 33328.5(b)

On May 7, 2010, the Agency informed the State Board of Equalization, Affected Taxing Entities, and the Riverside County Assessor and Auditor-Controller that the proposed boundaries of the Project Area had been modified and requested that State and County officials prepare a revised version of the report described in CCRL Section 33328 based upon the modified Project Area boundaries. The Agency subsequently received the requested report from the Riverside County Auditor-Controller's Office and included a copy within its Preliminary Report along with analysis of said report.

As reported in the Preliminary Report, the FY 2009-10 assessed value of the Project Area was $86,345,359. As indicated earlier in Section 3.3, the FY 2010-11 assessed value (the proposed Base Year Value) of the Project Area is $80,193,922, a decrease of 7.1 percent from the previous year. This reduction in the Base Year Value of the Project Area is projected to result in the Agency receiving approximately $6.7 million more in tax increment revenues than previously anticipated over the next forty-five (45) years.

The use of the FY 2010-11 Base Year is projected to slightly increase the amount of funding available to the Agency to prosecute its blight elimination program, therefore the proposed method of financing the Project remains feasible.

4.0 DESCRIPTION OF SPECIFIC PROJECTS AND PROGRAMS PROPOSED BY THE AGENCY TO IMPROVE OR ALLEVIATE BLIGHT IN THE PROJECT AREA AND ASSOCIATED COSTS

The purpose of this section is to describe the projects or programs proposed by the Agency to address the physical and economic conditions within the Project Area that are indicative of blight, as defined in the CCRL. The Agency is proposing public improvement projects and programs to assist private economic development and affordable housing activities, which, if implemented, will improve and help alleviate the existing problems and allow for more effective redevelopment of the Project Area. The list of proposed improvements is not exhaustive, but represents needed projects known to the best of the Agency's ability at this time. The proposed projects list could be modified at a later date by amendment to the Redevelopment Plan. Estimated costs are in 2011 dollars. A listing of the proposed project improvements in the Project Area is presented in Appendix D.

As illustrated in Appendix D, the estimated cost (in 2011 dollars) associated with the comprehensive redevelopment of the Project Area is approximately $126.4 million.[13]

It should be noted that the dollar amounts assigned to each project or program are not considered to be sufficient to complete that project; rather these amounts only represent the amount of funding for each project or program which would be available from tax increments received from the Project Area. Additional funds which would be available over the 30-year period during which the Redevelopment Plan would be effective within the Project Area have been discussed in Section 3.1 of this Report to Council.

[13] This sum represents the estimated tax increment proposed by the Agency to be allocated for implementation of all projects/programs. Over time, the actual cost of implementing individual projects/programs will be affected by annual rates of inflation and debt service costs and, therefore, successful implementation of all projects/programs may require additional sources of funding to be provided by the Agency, City and/or other private and/or public sources.

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5.0 DESCRIPTION OF HOW THE SPECIFIC PROJECTS AND PROGRAMS WILL IMPROVE OR ALLEVIATE THE BLIGHTING CONDITIONS IN THE PROJECT AREA

The purpose of this section is to describe how the projects or programs described in Section 4.0 will improve or alleviate the conditions of blight in the Project Area. This section satisfies pertinent portions of CCRL Section 33352(a).

As described in Section 4.0, included in Appendix D are proposed projects and improvements that are intended to help alleviate and/or reverse the physical and economic conditions that are characteristic of blight within the Project Area. The projects and programs identified in Appendix D have been developed through the efforts of City and Agency staff. The following describes how the projects and programs identified in Appendix D will help the Agency to expand its efforts to include blight remediation activation within the Project Area.

5.1 Infrastructure Improvements

Infrastructure improvements will include improvements to the streets, water, sewer, and storm drain systems within or of benefit to the Project Area. Such improvements may also include undergrounding utilities, and improvement of or additions to the City's transportation systems, including improvements to the local freeways (including interchanges, on/off ramps, and related improvements). Improvements may include work in the public right-of-way within or adjacent to the Project Area. These improvements will specifically address infrastructure deficiencies that are needed to not only protect local residents and businesses, but also to reverse the trend of historically low property values in the Project Area and attract new uses to the area, where appropriate.

5.2 Community Facilities Programs

Such improvements will include improvements to public safety facilities, recreation and cultural facilities, and other miscellaneous programs and improvements. The improvement of such facilities, within the parameters of the CCRL, will help alleviate the overall blighting influences caused by stagnant property values by improving the quality of life for residents of the community by providing additional recreational and cultural facilities.

5.3 Community Development Programs

Community development and economic development programs will assist in the elimination of blight by reversing conditions of impaired investment, and creating more shopping opportunities and job centers. The resulting increase in property values and tax increment revenue will provide one of the main funding sources for future improvements.

5.4 Housing Programs

One of the basic tenants of redevelopment pursuant to the CCRL is the provision of housing which is affordable to persons and families of low and moderate income. The Agency will provide assistance for various housing programs which comply with the CCRL and advance the findings made by the Legislature with reference to housing affordable to all income categories. Such assistance shall include, but not be limited to, increasing, improving and preserving housing affordable to lower- and very low-income families, land write downs, loans and grants, and mortgage assistance. The Agency shall invest at least 20 percent of the total tax increment from the Project Area for these purposes. In doing so, the Agency will also alleviate blighting conditions by rehabilitating deteriorated housing and assisting in the development of new affordable housing opportunities, which will reduce residential overcrowding and enhance the economic vitality of the entire City.

6.0 IMPLEMENTATION PLAN

CCRL Sections 33490 and 33352(c) require that redevelopment agencies adopt an implementation plan when they adopt a new redevelopment plan.

CCRL Section 33490(b) states:

(b) For a project area for which a redevelopment plan is adopted on or after January 1, 1994, the implementation plan prepared pursuant to subdivision (c) of Section 33352 shall constitute the initial implementation plan and thereafter the agency after a public hearing shall adopt an implementation plan every five years commencing with the fifth year after the plan has been adopted. Agencies may adopt implementation plans that include more that one project area.

This Section 6 complies with the provisions of CCRL Section 33352(c), is applicable to the Project Area, and is the implementation plan (the "Implementation Plan") referred to in said section.[14]

6.1 Goals and Objectives

The overall goals and objectives of the Agency with respect to the Project Area are specified in Section 201 ("Purposes and Objectives") of the Redevelopment Plan. During the term of the Implementation Plan, the Agency intends to commence planning and implementation of these purposes and objectives. The purposes and objectives set forth in the Redevelopment Plan are listed below:

"**A. (Sec. 201) Purposes and Objectives**

1. Encourage employment opportunities through environmental and economic improvements resulting from the redevelopment activities;
2. Provide for the rehabilitation of residential structures throughout the Project Area;
3. Provide for participation in the redevelopment of property in the Project Area by owners who agree to so participate in conformity with [the Redevelopment Plan];
4. Provide for the management of property owned or acquired by the Agency;
5. Provide relocation assistance where Agency activities result in displacement to the extent necessary to implement the requirements of Government Code Sections 7260-7267 and related regulations or guidelines;
6. Provide public infrastructure improvements and community facilities, such as the installation, construction and/or reconstruction of streets, freeways (including interchanges, on/off ramps, and related improvements), utilities, public buildings, facilities, structures, street lighting, parks, landscaping and other improvements which are necessary for the effective redevelopment of the Project Area;
7. Increase, improve, and preserve affordable housing in the community;
8. Acquire property, as appropriate and necessary, in order to facilitate

[14] This Implementation Plan is distinct and separate from the Agency's adopted five year implementation plan for its existing redevelopment project areas, Calimesa Redevelopment Project Area Nos. 1 and 5. As permitted by CCRL Section 33490(b), the Agency may elect to consolidate the five-year update to the implementation plan for the Project Area with the five-year update required to be completed for Calimesa Redevelopment Project Area Nos. 1 and 5 in 2014.

development/redevelopment activities in the Project Area, which will eliminate the conditions of blight therein;

9. Dispose of property acquired by the Agency in the Project Area; and

10. Encourage the redevelopment of the Project Area through the cooperation of private enterprise and public agencies."

6.2 Description of Specific Projects Proposed by the Agency

Based upon the physical and economic conditions within the Project Area that are indicative of blight, as defined in the CCRL, the Agency is proposing public improvement projects, which, if implemented, will improve and help alleviate the existing problems and allow for more effective redevelopment of the Project Area. The list of proposed improvements is not exhaustive, but, represents needed projects known to the best of the Agency's ability at this time; the proposed projects list could be modified at a later date. A listing of the proposed projects and programs is presented in Appendix D.

6.3 Program of Actions and Expenditures Proposed to be Made in the First Five Years of the Project Area

With respect to the Project Area, the Agency proposes to commence work on some or all of the following in the first five years of the Project:

1. Activities to include:

   a. Infrastructure improvements planning and initial implementation to include street improvements, including construction, widening, reconstruction and resurfacing all categories of streets; storm drain facilities and systems, parking facilities, extension and/or undergrounding of utilities, sanitary sewer and water systems, traffic signal controls, signals and transportation management strategies, and other miscellaneous infrastructure projects;

   b. Community facilities programs planning and initial implementation to include improving public facilities (fire and police facilities, library facilities, community centers, parks and recreation facilities), and other miscellaneous community facilities programs and improvements;

   c. Community development programs planning and initial implementation to include consultant services, economic development strategies, contract engineering, planning, design and fiscal advisory services; relocation assistance (residential, commercial, and industrial); commercial and industrial rehabilitation and expansion loan and/or grant fund, grants or other hybrid programs; land write-down "pool" and infrastructure construction assistance for residential, commercial and industrial development; graffiti abatement; historic preservation; marketing/promotions; seismic retrofitting; soil remediation; code enforcement activities; and miscellaneous community development and improvement programs; and

   d. Housing programs planning and implementation to include the use of no less than twenty percent (20%) of all tax increment received to increase, preserve and improve the community's supply of low- and moderate-income housing.

2. Administration of all projects identified in Item 1 above including, but not limited to:

   a. Budgeting;

   b. Project planning activities;

   c. Agency staff; and

   d. Miscellaneous activities.

Total estimated Agency expenditure in the Project Area from tax increments generated from the Project Area for the first five years is projected to be approximately $9,600.[15]

6.4 Description of How the Specific Projects Proposed Will Improve or Alleviate the Physical and Economic Conditions Existing in the Project Area

Included in Appendix D of this Report to Council are the proposed projects and programs that are intended to alleviate and/or reverse the physical and economic conditions that are characteristic of blight within the Project Area. These projects have been developed through the efforts of City and Agency staff. Please see Section 5 of this Report to Council for a description of how these proposed public projects and programs will alleviate and/or reverse those conditions of deficiency within the Project Area.

[15] The actual calculated amount of $9,623 is derived by determining the net amount of tax increment projected to be received by the Agency from within the Project Area during the five-year term of the Implementation Plan (see Appendix C).

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7.0 PLAN AND METHOD OF RELOCATION

CCRL Section 33352(f) requires that the Agency have a method or plan in place for the relocation of families and persons to be temporarily or permanently displaced from housing facilities in the Project Area even if the Agency has no authority to displace families or persons.

Sections 409 through 412 of the Redevelopment Plan specify the method of relocation for property owners and businesses if such owners or businesses are at such time displaced by Agency activities. This method is established pursuant to CCRL Section 33411.1, the appropriate excerpt of which is set forth below:

> No persons or families of low- and moderate-income shall be displaced unless and until there is a suitable housing unit available and ready for occupancy by such displaced person or family at rents comparable to those at the time of their displacement. Such housing units shall be suitable to the needs of such displaced persons or families and must be decent, safe, sanitary and otherwise standard dwelling. The agency shall not displace such person or family until such housing units are available and ready for occupancy.

The Agency has adopted an eminent domain policy with respect to property located within the Project Area; such policy is contained within Section 402 of the Redevelopment Plan (see below):

> "**B. (Sec. 402) Property Acquisition**
>
> Except as specifically exempted herein, the Agency may acquire, but is not required to acquire, all real property located within the Project Area by gift, devise, exchange, purchase, or any other means authorized by law, including the use of eminent domain, except that this Plan does not authorize the Agency to acquire, by eminent domain, property on which any persons reside. Any eminent domain proceedings must commence by the date on which the effectiveness for this Plan terminates, but not to exceed twelve (12) years from the date of adoption of the ordinance approving and adopting the Plan. Such time limitation may be extended, and/or other modifications to Agency eminent domain authority codified herein, may be made only by amendment of this Redevelopment Plan. Acquisition of property will generally be achieved by cooperative negotiations between the owner of such property and the Agency.
>
> Without the consent of the owner, the Agency shall not acquire real property to be retained by an owner pursuant to a participation agreement if the owner fully performs under the agreement unless provision for such acquisition is made in the agreement. The Agency is authorized to acquire structures without acquiring the land upon which those structures are located. The Agency is also authorized to acquire any other interest in real property less than a fee interest.
>
> If required by law, the Agency shall not acquire real property on which an existing building is to be continued on its present site and in its present form and use without the consent of the owner, unless: (1) such building requires structural alterations, improvement, modernization, or rehabilitation; or (2) the site or lot on which the building is situated requires modification in size, shape, or use; or (3) it is necessary to impose upon such property any of the standards, restrictions and controls of the Plan and the owner fails or refuses to participate in the Plan by executing a participation agreement.
>
> Unless otherwise provided by law, property already devoted to a public use may be acquired by the Agency through eminent domain, but property of a public body shall not be acquired without its consent."

The Agency shall assist in the relocation of all persons who may be displaced by Agency acquisition of property in the Project Area.

The Agency intends to accomplish all redevelopment pursuant to the Redevelopment Plan with as little displacement of property owners, residents, and businesses as possible; however, the Agency does anticipate that some property owners, residents, and businesses in the Project Area may eventually need to be relocated as a result of its redevelopment activities some time during the thirty (30) year term during which the Redevelopment Plan would be effective within the Project Area. In order to carry out the Redevelopment Plan with a minimum of hardship to persons displaced from their homes or businesses, the Agency will assist individuals and families in finding housing that is decent, safe, sanitary, within their financial means, in reasonably convenient locations, and otherwise suitable to their needs. The Agency is also authorized to provide housing outside the Project Area for displaced persons if any persons become displaced due to redevelopment project activities. The Agency is also authorized to provide relocation assistance to displaced businesses, should any be displaced.

The Agency is authorized to pay all relocation payments to provide relocation advisory assistance in conformity with the adopted Relocation Plan and the California Relocation Assistance Guidelines or as otherwise required or authorized by law. All relocation shall be conducted in accordance with Article 9, Chapter 4 of the CCRL. Prior to approving any specific project that will lead to any displacement, the Agency shall prepare a project specific relocation plan in accordance with the requirements of the California Relocation Laws.

8.0 ANALYSIS OF THE PRELIMINARY PLAN

CCRL Section 33352(g) requires that the Agency include an analysis of the Preliminary Plan within the Report to Council. The Preliminary Plan describes the boundaries of the Project Area, contains general statements regarding land uses, layout of principal streets, population densities, building intensities and building standards proposed as the basis for the redevelopment of the Project Area. The Preliminary Plan also shows how the purposes of the CCRL would be attained through the redevelopment of the Project Area; it explains how the proposed redevelopment conforms to the General Plan of the City, and describes generally the impact of the Redevelopment Plan upon residents of the Project Area and upon surrounding neighborhoods.

The Redevelopment Plan is consistent with the land uses and principal streets indicated in the Preliminary Plan. Proposed building standards remain as previously adopted for local use. The City has an adopted General Plan which includes all the elements mandated by State law. The Planning Commission has determined in its Conformity Report that the Redevelopment Plan conforms to the General Plan and its required elements.

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9.0 REPORT AND RECOMMENDATIONS OF THE PLANNING COMMISSION

CCRL Section 33352(h) requires that the Report to Council contain the report and recommendations of the Planning Commission with respect to the Redevelopment Plan. The Report(s) and Recommendation(s) of the Planning Commission required by CCRL Section 33346 have been prepared and transmitted to the Agency and are submitted to the City Council as a part of this Report to Council, are included in Tab Section 5 of the Joint Public Hearing Evidentiary Record on file with the City Clerk and are incorporated herein by reference.

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10.0 SUMMARY OF THE PROJECT AREA COMMITTEE PROCEEDINGS

CCRL Section 33352(i) requires that the Agency include a summary of the minutes and records of the Project Area Committee. As described in Section 7 of this Report to Council, the Agency has adopted an eminent domain policy with respect to the Project Area that would grant it the authority to acquire any real property in the Project Area through the use of eminent domain, except property on which any persons reside. Therefore, a formal Project Area Committee was not deemed necessary or appropriate for the Project.[16]

In lieu of a Project Area Committee, the Agency consulted with and obtained the advice of residents and community organizations at public workshops conducted on April 14 and 27, 2011. Information relating to the required consultations is contained under Tab Section 6A of the Joint Public Hearing Evidentiary Record on file with the City Clerk and incorporated herein by reference. This information highlights the consultations with Project Area residents, business owners, property owners, and community organizations.

[16] The City Council, by adoption of its Resolution No. 2009-49 on December 7, 2009, determined that a Project Area Committee was not required to be formed in connection with the Redevelopment Plan.

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11.0 REPORT REQUIRED BY SECTION 65402 OF THE GOVERNMENT CODE

CCRL Section 33352(j) requires that the Report to Council contain the report required by State Government Code Section 65402, which states, in pertinent part, that: "[t]he planning [commission] shall render its report as to conformity with said adopted general plan or part thereof."

The report required by Section 65402 of the Government Code is included in the Report and Recommendation of the Planning Commission and is provided as part of this Report to Council. The Report and Recommendation of the Planning Commission is included within Tab Section 5 of the Joint Public Hearing Evidentiary Record on file with the City Clerk and is incorporated herein by reference.

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12.0 REPORT REQUIRED BY SECTION 21151 OF THE PUBLIC RESOURCES CODE

CCRL Section 33352(k) requires that the Report to Council contain the report required by Section 21151 of the State Public Resources Code, which states, in pertinent part, that: "[a]ll local agencies shall prepare, or cause to be prepared by contract, and certify the completion of, an environmental impact report on any project that they intend to carry out or approve which may have a significant effect on the environment."

An Environmental Impact Report (EIR) has been prepared for the Redevelopment Plan in accordance with the CEQA Statutes and State CEQA Guidelines and is on file with the City Clerk and is incorporated herein by reference. The EIR has been prepared and is submitted as a part of this Report to Council, and is included in Tab Section 3 of the Joint Public Hearing Evidentiary Record.

The EIR describes the Redevelopment Plan, reviews impacts of the Redevelopment Plan, discusses the unavoidable adverse impact, provides information on growth inducing and cumulative impacts, records effects found not to be significant, looks at alternatives, contains data on resources and generally, in a comprehensive manner, provides information necessary for decision making on the Redevelopment Plan and related projects.

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13.0 REPORT OF THE COUNTY FISCAL OFFICER REQUIRED BY CCRL SECTION 33328

CCRL Section 33352(l) requires that the Agency include the report of the County fiscal officer pursuant to CCRL Section 33328. The subject report is included in this Report to Council as Appendix B.

The Agency has analyzed the report required by CCRL Section 33328 and by this reference and its adoption of this Report to Council finds the report to be sufficient and adequate. The Agency sent letters to all Affected Taxing Entities on February 2, 2011 indicating its willingness to consult with each taxing entity as provided for in CCRL Section 33328. The list of taxing entities which were sent letters and samples of said letters may be found under Tab Section 6B of the Joint Public Hearing Evidentiary Record. As of the date of publication of this Report to Council, no Affected Taxing Entities have expressed written objections or concerns with the Project Area or the Redevelopment Plan.

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14.0 NEIGHBORHOOD IMPACT REPORT

CCRL Section 33352(m) requires the Agency to include a new neighborhood impact report if the project area contains low- or moderate-income housing. Since the Project Area includes dwelling units housing persons and of low- and moderate-income, a neighborhood impact report has been included below to satisfy the requirements of CCRL Section 33352(m).

14.1 Relocation

Inasmuch as the Agency is not proposing any site-specific redevelopment projects at this time, no immediate relocation of residents and/or businesses in the Project Area is anticipated to occur; however, the Agency does anticipate that some property owners, residents, and businesses in the Project Area may eventually need to be relocated as a result of its redevelopment activities some time during the thirty (30) year period during which the Redevelopment Plan would be effective in the Project Area. The Redevelopment Plan would not provide the Agency with the authority to acquire real property in the Project Area on which any persons reside through the use of eminent domain; however, the Redevelopment Plan would authorize the Agency to advise, encourage, and with the consent of the owner, assist in the rehabilitation and conservation of property in the Project Area not owned by the Agency. The Agency would also be authorized to rehabilitate and conserve, or to cause to be rehabilitated and conserved, buildings or structures in the Project Area. The Redevelopment Plan would authorize the Agency to move or to cause to be moved any standard structure or building, or any substandard structure or building which could be rehabilitated, to a location within or outside the Project Area. Although the Agency intends to accomplish redevelopment with as little displacement of persons as reasonably feasible, such actions may result in the need to relocate residents and/or businesses over the life of the Redevelopment Plan.

As described above, the Agency has not yet identified any site-specific projects within the Project Area; therefore, it would be highly speculative to estimate how many residents or businesses may need to be relocated as a result of the Agency's projects and programs during the life of the Redevelopment Plan. Should the Agency implement any projects or programs that would result in the displacement of residents or businesses, the Agency would be authorized to pay all relocation payments and to provide relocation advisory assistance as required by the California Relocation Assistance Guidelines, as amended from time to time, or as otherwise required or authorized by law to all Project residents and business concerns relocated from the Project Area. All relocation would be conducted in accordance with Article 9, Chapter 4, of the CCRL.

14.2 Traffic Circulation

The Agency is proposing a number of public improvements to streets and right-of-ways, within and adjacent to the Project Area. Please refer to Appendix D of this Report to Council for a detailed listing of proposed projects and programs. The Agency proposes to upgrade streets by resurfacing, realigning, restriping, and/or reconstructing and providing modern signalization where required; also, sidewalks, gutters, street lighting, landscaping and other usual infrastructure will be added and/or upgraded during the process of improving the Project Area. These kinds of physical improvements will make the Project Area safer and help to improve traffic circulation throughout the Project Area and the City in general.

14.3 Environmental Quality

Some basic objectives of the Redevelopment Plan are the upgrading/improvement of existing residential areas, public facilities, infrastructure and traffic control facilities within the City. It is anticipated that the Redevelopment Plan will allow the Agency to assist development by providing financial assistance in the development of increased public improvements, financing of mortgages at below market rates, and rehabilitation loans and other methods of establishing a more viable area to live and work.

The potential environmental impacts of the Redevelopment Plan have been evaluated in detail in the EIR. The EIR is included as part of this Report to Council, and is included in Tab Section 3 of the Joint Public Hearing Evidentiary Record.

All proposed future development or Agency activity will be reviewed by the City for architectural design, compatibility with adjacent land uses and impact upon adjacent properties. In addition, a more specific environmental analysis of future major projects will take place as necessary and required by CEQA.

14.4 Availability of Community Facilities and Services

The Redevelopment Plan is not expected to create a significant adverse impact on existing community facilities and services. Long-term project implementation activities include provisions for additional public improvements, utilities and other facilities (as stated in Appendix D) which may be required as a result of the Redevelopment Plan.

The impact of the Redevelopment Plan on community facilities and services has been evaluated in the EIR. As described in Appendix A of the EIR (Initial Study), the adoption and implementation of the Redevelopment Plan is not anticipated to result in significant impacts with respect to the provision of community facilities and services. The EIR is a part of this Report to Council, and is included in Tab Section 3 of the Joint Public Hearing Evidentiary Record.

14.5 Effect on School Population and Quality of Education

One of the primary purposes of the Redevelopment Plan is to provide a mechanism for the financing of public works improvements. The Agency further intends to assist in providing housing for families of all income levels, including low- and moderate-income families.

The Agency prepared and transmitted to Affected School Districts and others required by law a set of projections (included herewith as Appendix E), which assumed build-out of the Project Area to densities allowable under the Land Use Element of the General Plan, Amendment No. 1 to the Summerwind Ranch Specific Plan Area No. 1, and the proposed development scenario included within the Final Environmental Impact Report prepared for the JP Ranch for residential land use. As shown in Appendix E, 1,457 additional dwelling units may be constructed within the Project Area over the 30-year effective life of the Redevelopment Plan. Using the generation factor of 0.513 students per household,[17] an additional 746 new students could ultimately be added over the 30-year life of the Project Area; this is equal to a projected 25 new students per year.

Any increase in population will be in accordance with the General Plan. As described in Appendix A of the EIR, which is included in Tab Section 3 of the Joint Public Hearing Evidentiary Record, adoption and implementation of the Redevelopment Plan is not anticipated to result in significant impacts with respect to schools.

14.6 Property Assessments and Taxes

Redevelopment of the Project Area will be funded principally through incremental property tax financing and not through special assessment, new taxes or general funds. Any increase in property taxes is regulated by law; the ad valorem property tax rate will not be affected by the Redevelopment Plan. The only increase in tax revenues can occur if property values increase through property improvement or resale, as the law presently allows. The Agency cannot levy property taxes. As noted above, the only tax revenue received by the Agency is the regular property tax increase caused by property improvements or resale; property taxes or tax rates are not affected.

The revitalization of the Project Area may have a positive effect on the market value of properties in adjacent neighborhoods, resulting in some increase in assessed valuation as properties change ownership and are reassessed. The Agency will only benefit from increased values within the Project Area, which will substantially be the result of the Agency's redevelopment efforts, whereas, all taxing agencies will benefit from increased values in properties adjacent to the Project Area.

14.7 Number of Dwelling Units Housing Persons and Families of Low or Moderate Income Expected to be Destroyed or Removed from the Low- and Moderate-Income Housing Market Through Implementation of the Redevelopment Plan

No immediate destruction of dwelling units housing persons and families of low or moderate income is contemplated at this time. Inasmuch as the Agency is not proposing any site-specific redevelopment projects at this time, no dwelling units are expected to be removed from the low- and moderate-income housing market as a result of the Redevelopment Plan. While housing rehabilitation will be emphasized by the Agency, it is recognized that there may be a small number of dwelling units in the Project Area that are deteriorated to the point where rehabilitation may not be feasible. The exact number is difficult to estimate as only building exteriors have been examined from the public right-of-way. In such cases where deterioration is to the point where removal is necessary, the Agency may seek to purchase the deteriorated building without the use of eminent domain and provide for the construction of a new replacement unit that is decent, safe, and sanitary.

As required by CCRL Section 33334.5, the Redevelopment Plan specifically outlines the Agency's plans and obligations for the replacement of housing, as necessary, in accordance with CCRL Sections 33413 and 33413.5.

[17] Based upon number of persons per households in the City (2.42 persons per household [California Department of Finance, Demographic Research Unit, Table 2: E-5 City/County Population and Housing Estimates, May 2009]) multiplied by percentage of City population between the ages of 5 and 21 years old (21.2 percent [U.S. Census Bureau, Census 2000 Summary File 1 (SF 1) 100-Percent Data]).

14.8 Number of Persons of Low or Moderate Income Expected to be Displaced Through Implementation of the Redevelopment Plan

Inasmuch as the Agency is not proposing any site-specific redevelopment projects at this time, no immediate displacement of residents in the Project Area is anticipated to occur; however, the Agency does anticipate that some residents in the Project Area could eventually be displaced as a result of its redevelopment activities some time during the thirty (30) year period during which the Redevelopment Plan would be effective in the Project Area. Although approval of the Redevelopment Plan would not provide the Agency with the authority to acquire real property in the Project Area on which any persons reside through the use of eminent domain, it would authorize the Agency to advise, encourage, and with the consent of the owner, assist in the rehabilitation and conservation of property in the Project Area not owned by the Agency. The Agency would also be authorized to rehabilitate and conserve, or to cause to be rehabilitated and conserved, buildings or structures in the Project Area. The Redevelopment Plan would also authorize the Agency to move or to cause to be moved any standard structure or building, or any substandard structure or building which could be rehabilitated, to a location within or outside the Project Area. Although the Agency intends to accomplish redevelopment with as little displacement of persons as reasonably feasible, such actions may result in the displacement of residents over the life of the Redevelopment Plan.

As described above, the Agency has not yet identified any site-specific projects within the Project Area; therefore, it would be highly speculative to estimate how many residents may be displaced as a result of the Agency's projects and programs during the life of the Redevelopment Plan. Should the Agency implement any projects or programs that would result in the displacement of residents, the Agency would be authorized to pay all relocation payments and to provide relocation advisory assistance as required by the California Relocation Assistance Guidelines, as amended from time to time, or as otherwise required or authorized by law to all Project residents and business concerns relocated from the Project Area. All relocation would be conducted in accordance with Article 9, Chapter 4, of the CCRL.

14.9 General Location of Housing to be Rehabilitated, Developed, or Constructed

Generally, housing to be rehabilitated, developed, or constructed within the Project Area, pursuant to CCRL Section 33413, will be located in areas designated for residential uses by the Zoning Ordinance and the General Plan. Ultimately, the identification of specific residential units to be rehabilitated and specific development or construction sites will be based upon site availability and user needs. Development activities will be affected by market demand, cost and availability of funds.

14.10 Number of Dwelling Units Housing Persons and Families of Low or Moderate Income Planned for Construction or Rehabilitation, Other than Replacement Housing

Based upon the information contained herein as Appendix E, build-out of the Project Area could result in an additional 1,457 dwelling units over the 30-year effective life of the Redevelopment Plan. Specific housing development programs have not been established by the Agency for use in the Project Area and therefore, it is unclear as to how many, if any, dwelling units will be actively developed by the Agency (thus incurring a higher 30 percent LMI requirement under CCRL Section 33413(b)(1)). If the 1,457 new dwelling units were developed by public or private entities or persons other than the Agency, then at least 219 of the new dwelling units (15 percent) would have to be available at affordable housing cost to persons and families of low- or moderate-income pursuant to CCRL Section 33413(b)(2). Of these 219 units, at least 40 percent (or 88 units) would be required to be made available at affordable housing cost to very low-income households.

It is not known at this time how many, if any, existing dwelling units will be in need of substantial rehabilitation over the life of the Redevelopment Plan. The Agency will assist development and rehabilitation (substantial, or as may be otherwise defined) of as many units during the effective life of the Redevelopment Plan (CCRL Section 33333.2) as is necessary in order to ensure that the appropriate number of price restricted units is available to persons and families of low or moderate income at an affordable housing cost pursuant to CCRL Section 33413.

14.11 Proposed Fund for Low and Moderate Income Housing

The Redevelopment Plan provides for the funding of low- and moderate-income housing in full compliance with State law including, without limitation, CCRL Sections 33334.2 and 33334.3 which provide, respectively, that not less than 20 percent of tax increments received by the Agency be used by the Agency for the purposes of increasing, improving and preserving the City's supply of low- and moderate-income housing available at affordable housing cost to persons and families of low- or moderate-income, and that such funds be held in a separate low- and moderate-income housing fund (the LMI Housing Fund) until used. The Agency anticipates that it will be able to leverage the monies held in the LMI Housing Fund by combining them with other private and public funding sources to maximize the production of affordable housing.

14.12 Projected Timetable for Meeting Rehabilitation and Replacement Housing Objectives

The Redevelopment Plan will be principally focused on eliminating the conditions that are characterized in CCRL Section 33031 which presently predominate in the Project Area to the extent contemplated by that section as well as CCRL Section 33030. Housing needs will be addressed in accordance with the Housing Element of the General Plan and the Redevelopment Plan. The provisions of the Redevelopment Plan shall be effective and the provisions of other documents formulated pursuant to the Redevelopment Plan may be made effective for thirty (30) years from the effective date of the ordinance approving and adopting the Redevelopment Plan.

CCRL Section 33413(a) requires that whenever dwelling units housing persons and families of low- or moderate-income are destroyed or removed from the low- and moderate-income housing market as part of a redevelopment project subject to a written agreement with a redevelopment agency or having been provided financial assistance by the redevelopment agency, the agency shall, within four (4) years of the removal of the dwelling units, cause to be developed an equal number of replacement dwelling units which have an equal or greater number of bedrooms as those destroyed or removed units at affordable housing costs within the territorial jurisdiction of the agency.

The Agency has no plans to enter into a written agreement for, or provide financial assistance to, a project which would result in the destruction or removal of dwelling units in the Project Area housing persons or families of low- and moderate-income from the low- and moderate-income housing market; however, should the Agency do so, it will adopt a replacement housing plan pursuant to CCRL Section 33413.5 not less than 30 days prior to the execution of said agreement and will meet its replacement housing obligations as rapidly as is feasible, and in any event, no later than four (4) years following the destruction or removal of said dwelling units.

APPENDICES

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APPENDIX A

ECONOMIC BLIGHT EXHIBITS

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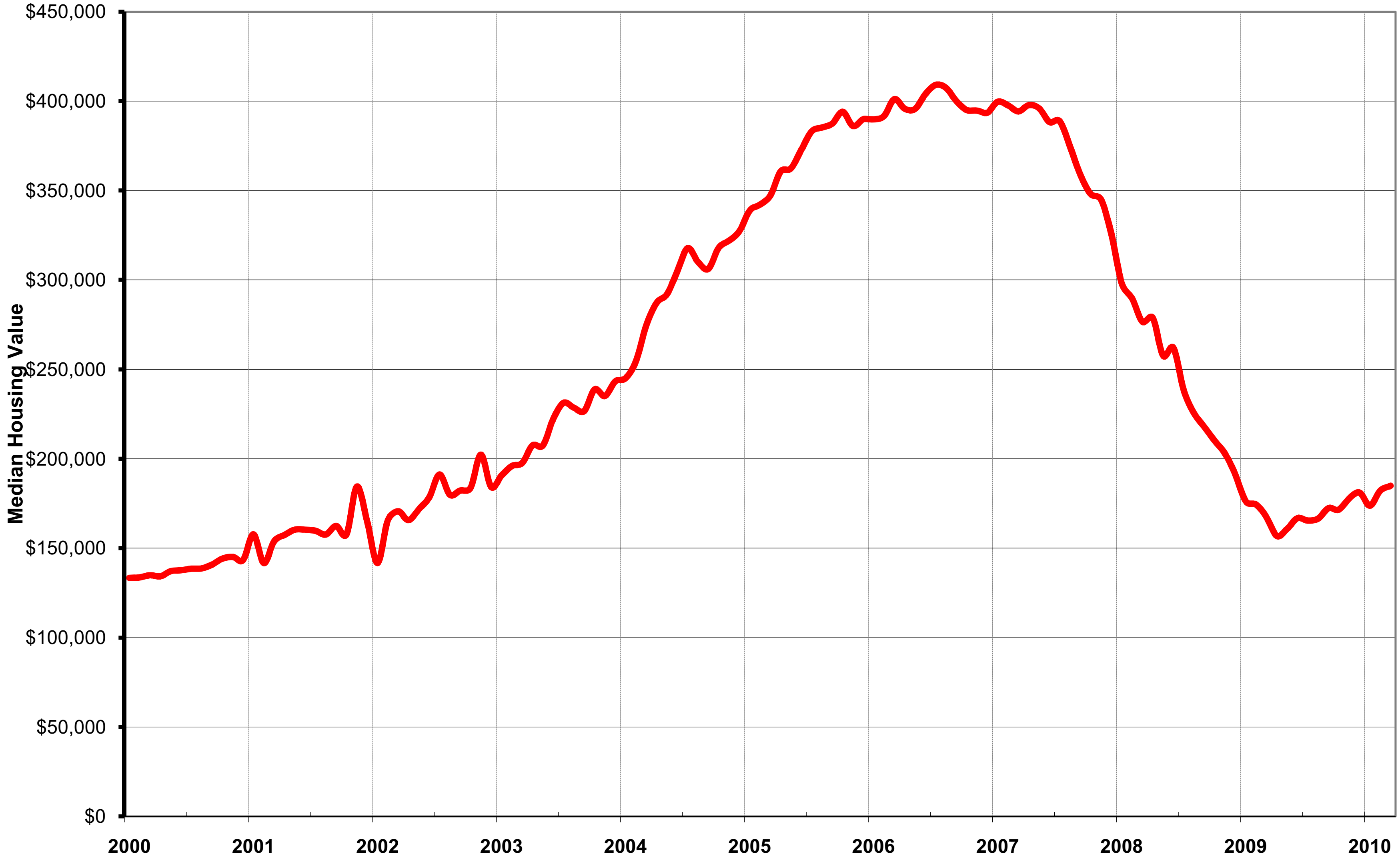
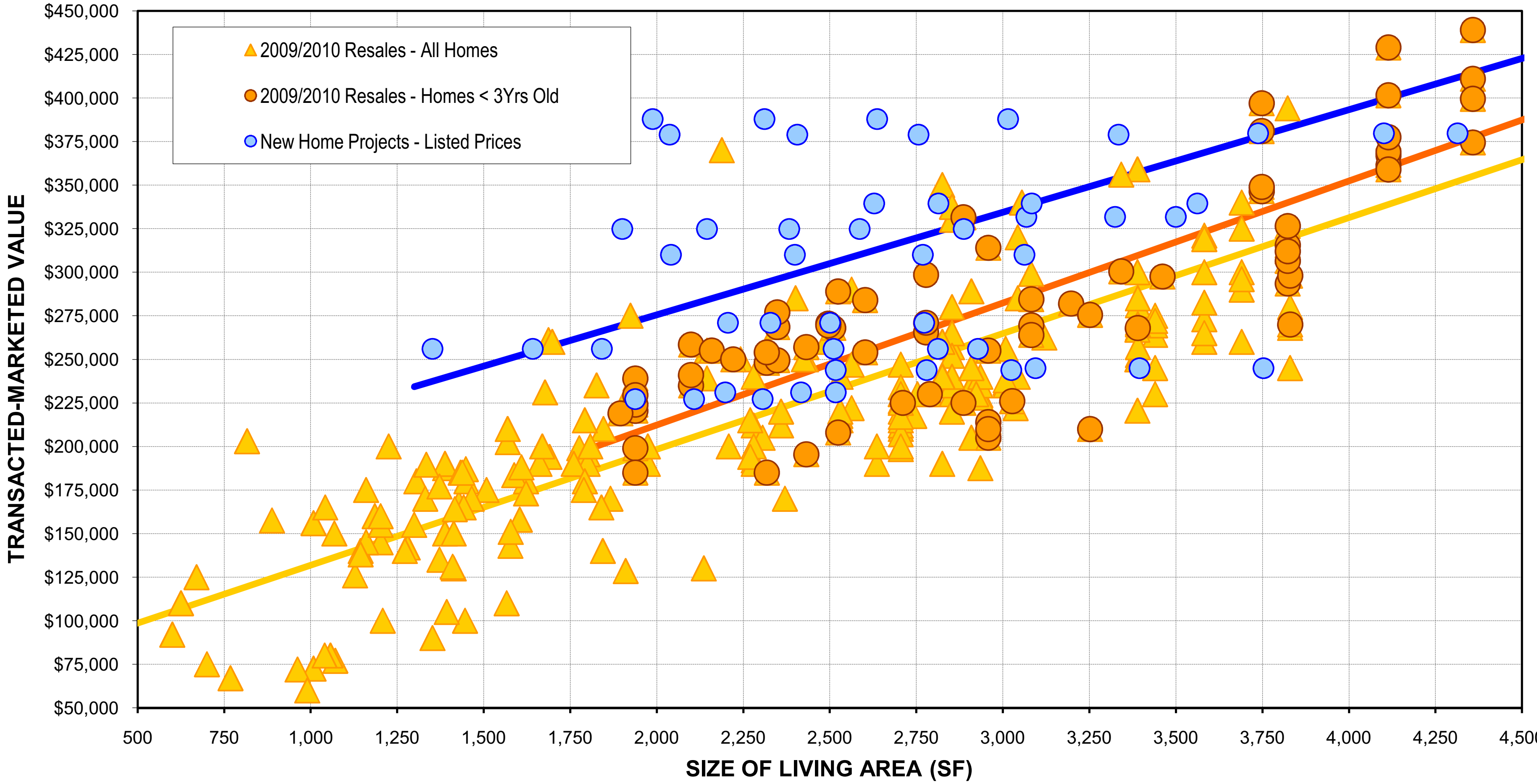
APPENDIX A-1
MEDIAN HOUSING VALUE
RIVERSIDE/SAN BERNARDINO COUNTIES, CA



Source: California Association of Realtors and AGA

APPENDIX A-2
MARKET RATE PRICING FOR RESALE AND NEW HOME SALES
CALIMESA AND SURROUNDING VICINITY



Source: Real Estate Economics; First American Real Estate Solutions; AGA

APPENDIX A-3
LAND DEVELOPMENT COST PARAMETERS
3,800-SF TO 10,000-SF DETACHED LOT SUBDIVISION - CALIMESA

Site Development Item	Item Share of In-Tract Cost	Unit Cost of Improvement	Estimated Range of Cost Per Lot
In-Tract Grading-Surveying	22% - 26%		$9,713 - $9,713
Earthwork-Grading		10 /CY	
Surveying & Staking		1,000 /Lot	
In-Tract Water	6% - 7%		$2,375 - $2,963
8" P.V.C.		20 /LF	
8" Gate Valve & Box		750 EA	
Fire Hydrants		2,400 EA	
3/4" Service		500 EA	
3/4" Water Meter-Box		500 EA	
Water Meter Box		70 EA	
3% Miscellaneous Fittings		3.0% Rate	
In-Tract Streets	22% - 27%		$8,147 - $11,916
Excavation-Grading-Surveying		26.41 /LF-ST	
Street Hardscape (Paving, etc.)		145.05 /LF-ST	
Street Softscape (Landscape)		6.88 /LF-ST	
Elect-Gas-Phone-Cable Utilities		40.37 /LF-ST	
In-Tract Surface Drainage	3% - 4%		$990 - $1,647
18" R.C.P.		30 /LF	
24" R.C.P.		42 /LF	
Catch Basin Up To 5' Opening		3,000 EA	
Standard Outlet Structure		1,500 EA	
In-Tract Sewer	6% - 6%		$2,076 - $2,551
4" P.V.C. Laterals		13 /LF	
6" P.V.C.		15 /LF	
8" P.V.C.		17 /LF	
10" P.V.C.		22 /LF	
12" P.V.C.		29 /LF	
15" P.W.C.		36 /LF	
Standard Manholes 9' to 12' Deep		1,900 EA	
Sewer Connection		400 EA	
Misc In-Tract Improvements	2% - 2%		$610 - $893
Survey Monuments Encasements		300 EA	
Street Signs		150 EA	
Stop Signs		150 EA	
Street Lights		2,500 EA	
Striping		0.25 /LF	
6' Concrete Block Garden Wall		40 /LF	
6' Concrete Block Retaining Wall		80 /LF	
Engineering-Design-Mapping	3% - 4%		$1,540 - $1,540
Tentative Map & Land Planning Svcs		45.00 /Lot	
In-Tract Sewer & Storm Drain Plans		25.00 /Lot	
In-Tract Grading Plan		20.00 /Lot	
Design & Improvement Plans		1,200.00 /Lot	
Final Tract Map Processing		250.00 /Lot	
Site Development Sub-Total-1:			$25,450 - $31,223
Site Improvement Contigency	14% - 14%	20% Rate	$5,090 - $6,245
Direct In-Tract Site Development Cost:			**$30,541 - $37,467**
Plan Check Fee	1% - 1%	0.75% Rate	$281 - $281
Inspection Fee	1% - 1%	0.75% Rate	$281 - $281
Site Development Sub-Total-2:			$31,103 - $38,029
Land Development Gross Profit:	15% - 15%	18% Rate	$5,598 - $6,845
Total In-Tract Site Development Cost	**100% - 100%**		**$36,701 - $44,875**
Backbone-Community Infrastructure	61% - 75%		$27,375 - $27,375
Elect-Gas-Phone-Cable Utilities	3% - 4%	1,500 /Lot	
Water Distribution-Storage	13% - 16%	5,975 /Lot	
Sewer Collection-Treatment	8% - 10%	3,500 /Lot	
Backbone Circulation-Arterials-Etc.	37% - 45%	16,400 /Lot	
Total Site Development Cost			**$64,076 - $72,250**

Note:

Cost represents preliminary order of magnitude estimate for finished lot construction within 40-acre subdivision on terrain with up to 15% slope gradient. Cost of site acquisition, entitlement, unit impact fees, and unit construction fees is not included as part of In-tract cost. In-tract costs include site grading, residential streets with wet-dry utilities lines, tract engineering, 20% contingency on direct cost 1.5% allowance for Public Works plan check and inspection fees; and 18% gross profit allowance for land developer. Backbone cost are for water trunk lines and lift stations, sewer trunk lines and treatment facility, and major arterial roadways improvements (including TUMF) required to serve the Oak Valley Specific Plan communities. In-tract and backbone costs are additive. Actual cost may vary significantly due to site conditions, subdivision layout design, and municipal fees.

Source: City of Calimesa; Oak Valley Specific Plan-Amendment 1; Korpacz Real Estate Investor Survey; AGA

APPENDIX A-4
SINGLE FAMILY RESIDENTIAL COST BY QUALITY, TYPE, AND SIZE
STANDARD STUCCO RESIDENCE

Living Area Sq Ft	Fair Quality[1]		Average Quality[2]		Good Quality[3]	
	One Story	Two Story	One Story	Two Story	One Story	Two Story
600	$74.49	$68.53*	$87.09	$80.09*	$113.06*	$104.88*
800	$70.51	$66.31*	$82.48	$76.81*	$108.79	$100.70*
1,000	$67.57	$64.56	$79.07	$74.16	$104.33	$97.20
1,200	$65.27	$62.29	$76.39	$71.29	$100.82	$93.72
1,300	$64.28	$61.32	$75.24	$69.02*	$98.44*	$91.35*
1,400	$63.38	$60.43	$74.19	$68.96	$97.95	$90.87
1,500	$62.55	$59.62	$73.23	$67.94	$96.17*	$89.10*
1,600	$61.78	$58.87	$72.34	$67.00	$95.53	$88.47
1,700	$61.07	$58.17	$71.52	$66.13	$94.15*	$87.11*
1,800	$60.41	$57.52	$70.75	$65.32	$93.44	$86.41
2,000	$59.21	$56.35	$69.35	$63.85	$91.61	$84.60
2,200	$58.19	$55.30	$68.11	$62.55	$89.99	$83.00
2,400	$57.19	$54.37	$67.00	$61.39	$88.53	$81.57
2,600	$56.32	$53.52	$66.00	$60.34	$87.22	$80.27
2,800	$55.53	$52.75	$65.08	$59.38	$86.01	$79.09
3,000	$54.81	$52.04	$64.23	$58.50	$84.91	$78.00
3,200	$54.68*	$51.92*	$63.45	$57.70	$83.89	$77.00
3,400	$54.49*	$51.75*	$62.80*	$57.03*	$82.94	$76.07
3,600	$54.47*	$51.74*	$62.23*	$56.45*	$82.05	$75.21
3,800	$54.60*	$51.89*	$61.74*	$55.96*	$81.23	$74.40
4,000	$54.89*	$52.19*	$61.34*	$55.58*	$80.45	$73.64
4,200	$55.34*	$52.65*	$61.04*	$55.28*	$80.00*	$73.21*
4,400	$55.95*	$53.27*	$60.82*	$55.09*	$79.53*	$72.76*

Notes:

[1] Frequently mass produced, low cost production, meet minimum construction requirements, etc.

[2] Mass produced home, meet/exceed minimum construction requirements, quality materials, etc.

[3] Mass produced above-average developments, good quality materials, exceed minimum construction requirements, etc.

* Cost Per Square Foot Estimated.

Source: Marshall and Swift - Residential Cost Handbook 2010

APPENDIX A-5
ESTIMATED UNIT CONSTRUCTION COST-FEES-VALUE
FOR HOMES BUILT WITHIN CITY OF CALIMESA

Construction Fee Criteria	Unit Fee Factor	Typical 3-Bdr Home	Typical 4-Bdr Home	Typical 5-Bdr Home
Unit Description				
Living Area (SF)	100% SF Bench	**1,940**	**2,460**	**2,820**
Garage Area (SF)	n.a. of SF Bench	400	400	600
Patio Area (SF)	n.a. of SF Bench	190	250	280
Garage Parking Spaces	200 SF/Space	2.0	2.0	3.0
Estimated Construction Cost				
Living Area-$/SF	100% $/SF Bench	$68.04	$64.20	$62.23
Garage Area-$/SF	36% of $/SF Bench	24.49	23.11	22.40
Patio Area-$/SF	24% of $/SF Bench	16.32	15.40	14.93
Construction Cost Sub-Total		144,885	171,014	193,109
Unit Construction Contigency	15% of Const Cost	21,733	25,652	28,966
Estimated Hard Cost of Unit Construction		**$166,618**	**$196,666**	**$222,075**
City Administered Building Fees		**$15,063**	**$15,424**	**$15,729**
Building (Permits-Inspection)	1.20% of Const Value	1,999	2,360	2,665
General Govt Impact	1,221 /Unit	1,221	1,221	1,221
Police Impact	744 /Unit	744	744	744
Fire Impact	1,372 /Unit	1,372	1,372	1,372
City Streets-Traffic Impact	968 /Unit	968	968	968
Library Facilities	1,004 /Unit	1,004	1,004	1,004
Storm Drain Facilities	2,927 /Unit	2,927	2,927	2,927
Park Facilities	4,828 /Unit	4,828	4,828	4,828
Other Unit Development Fees		**$10,748**	**$13,628**	**$15,623**
School Facility Impact	5.54 /SF Living Area	10,748	13,628	15,623
TUMF Obligation Impact		(Land Development Cost Obligation)		
Total Building Permit-Impact-Connection Fees:		**$25,811**	**$29,052**	**$31,352**
Share of Unit Construction Hard Cost		15.5%	14.8%	14.1%
Effective Fees Per SF Living Area		$13.30	$11.81	$11.12
Estimated Housing Unit Construction Value:		**$204,000**	**$239,000**	**$269,000**
Effective Value Per SF Living Area		$105.15	$97.15	$95.39

Note:
Estimated value assumes 6.0% gross profit on unit cost of construction but excludes estimated cost of land acquisition and land development.

Sourc: City of Calimesa; Marshall & Swift Residential Cost Handbook: AGA

APPENDIX A-6
ECONOMIC OUTLOOK OF HOUSING DEVELOPMENT IN CALIMESA BASED ON NEAR-TERM UNIT PRICING AND DEVELOPMENT COST

Development Criteria	3-Bedroom Home	4-Bedroom Home	5-Bedroom Home
Living Area of Home (SF)	1,940	2,460	2,820
Revenue From Home Sales			
Unit Pricing Potential - 2010	**$237,000**	**$268,000**	**$289,000**
Effective Value/SF	$122	$109	$102
Cost Of Home Development[1]	(6,800 SF Lot)	(6,800 SF Lot)	(6,800 SF Lot)
Land Development	$39,900	$39,900	$39,900
Unit Construction	$200,000	$239,000	$269,000
Sales & Marketing	$6,000	$7,200	$8,100
Development Cost Sub-Total	**$245,900**	**$286,100**	**$317,000**
Effective Cost/SF	$127	$116	$112
Residual Value of Land	No Value	No Value	No Value
Effective Value/SF Lot	n.a.	n.a.	n.a.
Economic Gap of Development[2]			
Revenue-Cost Gap	**($8,900)**	**($18,100)**	**($28,000)**
As Percent of Unit Price	-3.8%	-6.8%	-9.7%
Cost-Driven Profit & Commissions[3]			
Implicit Profit & Commissions	$20,700	$23,600	$25,700
As Percent of Unit Price	8.7%	8.8%	8.9%

Note:

[1] Cost figures meant to describe a home built on a 6,800 SF lot and do not include any cost or profit associated with land acquisition or entitlement. Cost figures also exclude additional backbone infrastructure burden ($27,375 per lot) describing development in Summerwind Ranch.

[2] For purpos of this analysis, economic gap describes a residual product of development and results when the total cost of the home exceeds total revenue generated within market pricing limits.

[3] Cost-driven profit potential only materializes if sales revenue exceeds indicated cost of development. Any shortfall in revenuebelow development cost directly reduces profit potential.

Source: AGA

APPENDIX B

REPORT OF THE COUNTY FISCAL OFFICER (FY 2010-11 BASE YEAR)

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COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

December 15, 2010

Mr. Randy Anstine
Executive Director
City of Calimesa Redevelopment Agency
P.O. Box 1190
Calimesa, CA 92320

Dear Mr. Anstine:

In accordance with Health and Safety Code 33328, we submit the following fiscal information for the Calimesa Redevelopment Project Area No. 2 within the County of Riverside.

Exhibit A	Total Assessed Valuation of Taxable Property within the Project Area for the 2010-11 Base Year.
Exhibit B	Affected Taxing Entities.
Exhibit C	Estimated Property Tax Revenue for each Affected Taxing Entity from the Base Year Assessments.
Exhibit D	Estimated Property Tax Revenue for each Affected Taxing Entity for the 2010-11 Fiscal Year (within the Project Area).
Exhibit E	Estimated First Year Taxes available to the Redevelopment Agency.

If you have any questions, please contact April Nash at (951) 955-0323.

Sincerely,

ROBERT E. BYRD
Auditor-Controller

By: Pam Elias, Chief Accountant
Property Tax Division

CC: Supervisor Marion Ashley
County Executive Office
County Counsel
County Assessor
All Affected Taxing Agencies

Exhibit A

City of Calimesa Redevelopment Agency
Calimesa Redevelopment Project Area 2
Total Assessed Value of Taxable Property
Within the Project Area

2010-11 Base Year

Secured	$	80,160,247
Unsecured	$	33,675
S.B.E.	$	- *
Total	**$**	**80,193,922**

*Note: SBE Values not currently available.

Health Safety Code 33328

Exhibit B

City of Calimesa Redevelopment Agency
Calimesa Redevelopment Project Area 2
Affected Taxing Agencies

01 0000	GENERAL PURPOSE
01 1001	GENERAL
01 1121	COUNTY FREE LIBRARY
02 2170	CITY OF CALIMESA
02 2173	CALIMESA CITY FIRE
03 0004	YUCAIPA UNIFIED SCHOOL
03 0005	YUCAIPA UNIFIED STATE REPAYMENT
03 0009	SAN BERNARDINO VALLEY COLLEGE
03 0014	YUCAIPA UNIFIED B AND I
03 1101	BEAUMONT UNIFIED SCHOOL DIST
03 9201	MT SAN JACINTO JUNIOR COLLEGE
03 9896	RIVERSIDE CO OFFICE OF EDUCATION
04 1110	RIVERSIDE CO. PARK & OPEN SPACE
04 1351	FLOOD CONTROL ADMINISTRATION
04 1365	FLOOD CONTROL ZONE 5
04 4005	SUMMIT CEMETERY DISTRICT
04 4391	SAN GORGONIO PASS MEM HOSPITAL
04 4392	SAN GORGONIO SERIES BOND A
04 4461	BEAUMONT LIBRARY
04 4606	BEAUMONT CHERRY VALLEY REC & PARK
04 4896	YUCAIPA VALLEY COUNTY WATER
04 4897	YUCAIPA VALLEY CO WTR IMP #1
04 5171	SAN GORGONIO PASS WTR AG DEBT SV
04 5172	SAN GORGONIO GP MH (MOBILE HOME)
28 4748	EAST VALLEY RESOURCE CON
28 4897	YUCAIPA VALLEY CO WTR IMP #1 DEBT SV

Health Safety Code 33328

Exhibit C

City of Calimesa Redevelopment Agency
Calimesa Redevelopment Project Area 2
Estimated Property Tax Revenue for Each Affected
Taxing Entity From 2010-11 Assessment Roll
Within the Project Area

		Percent of Taxes	Estimated Base Year Revenue
01 1001	GENERAL	0.06350863	50,930.06
01 1121	COUNTY FREE LIBRARY	0.01810634	14,520.19
02 2170	CITY OF CALIMESA	0.09593974	76,937.84
02 2173	CALIMESA CITY FIRE	0.21944936	175,985.05
03 0004	YUCAIPA UNIFIED SCHOOL	0.08968760	71,924.00
03 0009	SAN BERNARDINO VALLEY COLLEGE	0.01274901	10,223.93
03 1101	BEAUMONT UNIFIED SCHOOL DIST	0.29225640	234,371.87
03 9201	MT SAN JACINTO JUNIOR COLLEGE	0.02713471	21,760.39
03 9896	RIVERSIDE CO OFFICE OF EDUCATION	0.03463475	27,774.96
04 1110	RIVERSIDE CO. PARK & OPEN SPACE	0.00445833	3,575.31
04 1351	FLOOD CONTROL ADMINISTRATION	0.00244713	1,962.45
04 1365	FLOOD CONTROL ZONE 5	0.05034244	40,371.58
04 4005	SUMMIT CEMETERY DISTRICT	0.01927326	15,455.98
04 4391	SAN GORGONIO PASS MEM HOSPITAL	0.01300235	10,427.10
04 4461	BEAUMONT LIBRARY	0.01215670	9,748.93
04 4606	BEAUMONT CHERRY VALLEY REC & PARK	0.00164401	1,318.40
04 4896	YUCAIPA VALLEY COUNTY WATER	0.00326124	2,615.31
04 4897	YUCAIPA VALLEY CO WTR IMP #1	0.00530522	4,254.47
04 5171	SAN GORGONIO PASS WTR AG DEBT SV	0.03458419	27,734.42
04 5172	SAN GORGONIO GP MH (MOBILE HOME)	0.00005858	46.98
		1.00000000	**$801,939.22**

Health Safety Code 33328

Exhibit D

City of Calimesa Redevelopment Agency
Calimesa Redevelopment Project Area 2
Estimated Property Tax Revenue for Each Affected
Taxing Entity From 2010-11 Assessment Roll
Both Within and Without the Project Area

DISTRICTS		SECURED	UNSECURED	HOX CREDIT
01 1001	GENERAL	169,176,406	9,358,377	2,768,770
01 1121	COUNTY FREE LIBRARY	10,549,029	583,707	172,647
02 2170	CITY OF CALIMESA	455,352	25,990	7,452
02 2173	CALIMESA CITY FIRE	949,490	54,629	15,540
03 0004	YUCAIPA UNIFIED SCHOOL	1,548,010	87,361	25,335
03 0009	SAN BERNARDINO VALLEY COLLEGE	282,582	15,879	4,625
03 1101	BEAUMONT UNIFIED SCHOOL DIST	11,190,076	637,184	183,139
03 9201	MT SAN JACINTO JUNIOR COLLEGE	20,397,113	1,135,640	333,823
03 9896	RIVERSIDE CO OFFICE OF EDUCATION	52,308,973	2,895,316	856,098
04 1110	RIVERSIDE CO. PARK & OPEN SPACE	3,805,604	209,806	62,283
04 1351	FLOOD CONTROL ADMINISTRATION	2,658,258	146,480	43,506
04 1365	FLOOD CONTROL ZONE 5	2,135,648	122,202	34,952
04 4005	SUMMIT CEMETERY DISTRICT	773,386	44,320	12,657
04 4391	SAN GORGONIO PASS MEM HOSPITAL	828,877	47,485	13,566
04 4461	BEAUMONT LIBRARY	1,019,088	58,333	16,679
04 4606	BEAUMONT CHERRY VALLEY REC & PARK	963,910	54,595	15,776
04 4896	YUCAIPA VALLEY COUNTY WATER	83,270	4,716	1,363
04 4897	YUCAIPA VALLEY CO WTR IMP #1	43,900	2,505	718
04 5171	SAN GORGONIO PASS WTR AG DEBT SV	1,536,529	87,700	25,147
04 5172	SAN GORGONIO GP MH (MOBILE HOME)	(449)	-	(7)

Exhibit E

City of Calimesa Redevelopment Agency
Calimesa Redevelopment Project Area 2
Estimated Fiscal Year 2011-12 Taxes
Available to the Redevelopment Agency

Total Assessed Value 2010-11	$	80,193,922
Forecasted Increase 2%		1,603,878
Total Assessed Value 2011-12	$	81,797,800
Less: 2010-11 Base Year		80,193,922
Assessed Value Increment 2011-12		1,603,878
Estimated Tax Increment - 1%		16,039

Assumes a 2% growth rate and makes no adjustments for any tax sharing agreements.

Health Safety Code 33328

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
450 N STREET, MIC: 59, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0059
TELEPHONE (916) 322-7189
FAX (916) 327-4251
www.boe.ca.gov

December 2, 2010

Ms. Marilou Tolentino
Supervising Accountant
Riverside County Office of the Auditor-Controller
4080 Lemon St., 11th Fl.
Riverside, CA 92502

Dear Ms. Tolentino,

Pursuant to Section 33328 et seq. of the Health and Safety Code, the 2010/2011 non-operating and non-unitary assessed values of state assessed property located within the boundaries of the proposed Calimesa Redevelopment Project Area No. 2 is zero.

These values will continue to be valid if the project boundaries remain fixed and the ordinance adopting and approving the redevelopment plan for this project becomes effective prior to August 20, 2011.

If you have any questions regarding this matter, please contact Mr. Errol F. Tankiamco at (916) 322-4768.

Sincerely,

Ralph L. Davis

Ralph L. Davis, Research Manager
Tax Area Services Section

RLD:eft

cc: Mr. Randy Anstine

APPENDIX C

REVISED PROJECT AREA TAX INCREMENT PROJECTIONS

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TAX INCREMENT PROJECTIONS

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2

SUMMARY (PROPOSED PROJECT AREA)										
Annual A.V. Growth Rate[1]	BASE	FY	ASSESSED VALUATION [TOTAL] (1) = (1A)+(1B)	ASSESSED VALUATION [33328 REPORT] (1A)	ASSESSED VALUATION [NEW RES.][3] (1B)	GROSS T.I. REVENUE[4] (2) = ((1)-BASE)x.01	AB 1290 PASS THRU[5] (3)	NET TO RDA (4) = (2)-(3)	LMI HOUSING FUND (5) = (2)x.2	NET AVAIL. FOR PROJECTS (6) = (4)-(5)
	YEAR[2]	10-11	$80,193,922	$80,193,922	-	-	-	-	-	-
0.0%	1	11-12	$80,193,922	$80,193,922	$0	$0	$0	$0	$0	$0
	2	12-13	$80,193,922	$80,193,922	$0	$0	$0	$0	$0	$0
	3	13-14	$80,193,922	$80,193,922	$0	$0	$0	$0	$0	$0
	4	14-15	$80,193,922	$80,193,922	$0	$0	$0	$0	$0	$0
2.0%	5	15-16	$81,797,800	$81,797,800	$0	$16,039	$3,208	$12,831	$3,208	$9,623
	6	16-17	$83,433,756	$83,433,756	$0	$32,398	$6,480	$25,919	$6,480	$19,439
	7	17-18	$100,538,602	$85,102,432	$15,436,170	$203,447	$40,689	$162,757	$40,689	$122,068
	8	18-19	$117,985,544	$86,804,480	$31,181,063	$377,916	$75,583	$302,333	$75,583	$226,750
	9	19-20	$135,781,424	$88,540,570	$47,240,855	$555,875	$111,175	$444,700	$111,175	$333,525
	10	20-21	$154,405,632	$90,311,381	$64,094,250	$742,117	$148,423	$593,694	$148,423	$445,270
3.0%	11	21-22	$174,473,970	$93,020,723	$81,453,248	$942,800	$188,560	$754,240	$188,560	$565,680
	12	22-23	$195,144,360	$95,811,344	$99,333,015	$1,149,504	$261,303	$888,202	$229,901	$658,301
	13	23-24	$216,434,860	$98,685,685	$117,749,176	$1,362,409	$336,228	$1,026,182	$272,482	$753,700
	14	24-25	$238,364,076	$101,646,255	$136,717,821	$1,581,702	$413,400	$1,168,301	$316,340	$851,961
	15	25-26	$260,951,168	$104,695,643	$156,255,526	$1,807,572	$492,888	$1,314,684	$361,514	$953,170
	16	26-27	$284,215,874	$107,836,512	$176,379,361	$2,040,220	$574,761	$1,465,459	$408,044	$1,057,415
	17	27-28	$308,178,520	$111,071,608	$197,106,912	$2,279,846	$659,089	$1,620,757	$455,969	$1,164,788
	18	28-29	$332,860,045	$114,403,756	$218,456,290	$2,526,661	$745,948	$1,780,714	$505,332	$1,275,381
	19	29-30	$358,282,017	$117,835,868	$240,446,148	$2,780,881	$835,412	$1,945,469	$556,176	$1,389,293
	20	30-31	$384,466,647	$121,370,944	$263,095,703	$3,042,727	$927,560	$2,115,167	$608,545	$1,506,622
	21	31-32	$411,436,817	$125,012,073	$286,424,744	$3,312,429	$1,022,473	$2,289,956	$662,486	$1,627,470
	22	32-33	$439,216,091	$128,762,435	$310,453,656	$3,590,222	$1,120,233	$2,469,989	$718,044	$1,751,945
	23	33-34	$467,828,744	$132,625,308	$335,203,436	$3,876,348	$1,220,926	$2,655,423	$775,270	$1,880,153
	24	34-35	$497,299,776	$136,604,067	$360,695,709	$4,171,059	$1,324,639	$2,846,419	$834,212	$2,012,208
	25	35-36	$527,654,939	$140,702,189	$386,952,750	$4,474,610	$1,431,464	$3,043,146	$894,922	$2,148,224
	26	36-37	$558,920,758	$144,923,255	$413,997,503	$4,787,268	$1,541,494	$3,245,774	$957,454	$2,288,321
	27	37-38	$591,124,550	$149,270,953	$441,853,598	$5,109,306	$1,654,825	$3,454,482	$1,021,861	$2,432,620
	28	38-39	$624,294,457	$153,749,081	$470,545,376	$5,441,005	$1,771,555	$3,669,450	$1,088,201	$2,581,249
	29	39-40	$658,459,461	$158,361,554	$500,097,907	$5,782,655	$1,891,788	$3,890,868	$1,156,531	$2,734,337
	30	40-41	$693,649,414	$163,112,400	$530,537,014	$6,134,555	$2,015,627	$4,118,928	$1,226,911	$2,892,017
	31	41-42	$725,156,872	$168,005,772	$557,151,100	$6,449,630	$2,126,507	$4,323,122	$1,289,926	$3,033,196
	32	42-43	$746,911,578	$173,045,945	$573,865,633	$6,667,177	$2,225,098	$4,442,078	$1,333,435	$3,108,643
	33	43-44	$769,318,926	$178,237,324	$591,081,602	$6,891,250	$2,326,647	$4,564,603	$1,378,250	$3,186,353
	34	44-45	$792,398,494	$183,584,443	$608,814,050	$7,122,046	$2,431,243	$4,690,803	$1,424,409	$3,266,394
	35	45-46	$816,170,448	$189,091,977	$627,078,472	$7,359,765	$2,538,976	$4,820,789	$1,471,953	$3,348,836
	36	46-47	$840,655,562	$194,764,736	$645,890,826	$7,604,616	$2,649,942	$4,954,675	$1,520,923	$3,433,752
	37	47-48	$865,875,229	$200,607,678	$665,267,551	$7,856,813	$2,764,236	$5,092,577	$1,571,363	$3,521,215
	38	48-49	$891,851,486	$206,625,909	$685,225,577	$8,116,576	$2,881,959	$5,234,617	$1,623,315	$3,611,302
	39	49-50	$918,607,030	$212,824,686	$705,782,344	$8,384,131	$3,003,214	$5,380,917	$1,676,826	$3,704,091
	40	50-51	$946,165,241	$219,209,426	$726,955,815	$8,659,713	$3,128,106	$5,531,607	$1,731,943	$3,799,664
	41	51-52	$974,550,198	$225,785,709	$748,764,489	$8,943,563	$3,256,746	$5,686,817	$1,788,713	$3,898,105
	42	52-53	$1,003,786,704	$232,559,280	$771,227,424	$9,235,928	$3,389,244	$5,846,684	$1,847,186	$3,999,498
	43	53-54	$1,033,900,305	$239,536,059	$794,364,247	$9,537,064	$3,525,717	$6,011,347	$1,907,413	$4,103,934
	44	54-55	$1,064,917,314	$246,722,141	$818,195,174	$9,847,234	$3,666,285	$6,180,949	$1,969,447	$4,211,502
	45	55-56	$1,096,864,834	$254,123,805	$842,741,029	$10,166,709	$3,811,069	$6,355,640	$2,033,342	$4,322,298
	TOTALS					$190,963,787	***$64,540,720***	$126,423,068	$38,192,757	***$88,230,310***

[1] The Agency estimated the annual A.V. growth rate to be 0% during the first four fiscal years (FY 11-12 thru FY 14-15). The annual A.V. growth rates thereafter were estimated by UFI staff.

[2] Per the 33328 Report prepared by the Riverside County Auditor-Controller office, dated December 15, 2010.

[3] Estimated A.V. for future residential developments in the proposed Project Area on the assumption that they will be built out over 25 years from FY 15-16 to FY 39-40. The A.V. for future dwelling unit was estimated by median A.V. of existing dwelling units in the JP Ranch area.

[3] Assumes 1% tax rate. With special assessments, actual tax rate may be higher.

[4] Pursuant to CCRL Section 33607.5 pass through formula ("Statutory Pass Thru").

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APPENDIX D

LIST OF PROPOSED PROJECTS AND PROGRAMS FOR THE PROJECT AREA

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APPENDIX D

LIST OF POTENTIAL PUBLIC IMPROVEMENTS, PROJECTS AND PROGRAMS
TO BE COMPLETED WITHIN CALIMESA REDEVELOPMENT PROJECT AREA NO. 2

Infrastructure Improvements	$38,600,000

- Street Improvements, including construction, widening, reconstruction and resurfacing (all categories of street);
- Freeway improvements (including interchanges, on/off ramps, and related improvements);
- Storm drain facilities and systems;
- Extension of utilities and/or utilities undergrounding;
- Water systems;
- Sanitary systems;
- Traffic signal controls, signals and transportation management strategies;
- Any projects included within the City's adopted General Plan Circulation Element or Water, Sewer, and Stormwater Master Plans which would benefit the Project Area and which have not yet been completed; and
- Other miscellaneous infrastructure projects.

Community Facilities Improvements	$16,500,000

- Public facilities improvements (fire, police, library, community center, recreation and parks, County and other permissible government facilities);
- Street lighting standards, landscaping, street trees and furniture and other various pedestrian improvements and amenities;
- Various curb, gutter, and sidewalk improvements (including all appurtenances); and
- Other miscellaneous programs and improvements.

Housing Programs	$38,200,000

- The Agency will use no less than twenty percent (20%) of gross tax increment received to increase, preserve and improve the community's supply of low- and moderate-income housing (statutory affordable housing set-aside); and

- In order to meet a primary goal of this Plan: the provision of affordable housing, while helping to remediate impacts to the housing and construction industries that have exacerbated conditions of blight in the community, the Agency shall, as it deems appropriate and necessary in its discretion, allocate a percentage of tax increment greater than twenty percent (20%) of the gross tax increments received by the Agency for the purposes described above.

Community Development Programs	$33,100,000

- Land write-down "pool" and infrastructure construction assistance for residential and commercial development;
- Soil remediation;
- Code enforcement activities;
- Consultant services, economic development strategies, contract engineering, planning, design and fiscal advisory services, and Agency administration costs; and
- Other miscellaneous community development and improvement programs.

TOTAL	**$126,400,000**

APPENDIX E

SCHOOL PROJECTIONS

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City of Calimesa

April 14, 2010

Riverside County Office of Education
Board of Education
c/o Kenneth M. Young, Superintendent of Schools
3939 Thirteenth Street
Riverside, CA 92501

Re: Proposed Calimesa Redevelopment Project Area No. 2

Dear Mr. Young,

Your office was previously advised on December 16, 2009 that the Calimesa Redevelopment Agency (the "Agency") has initiated the process of preparing a redevelopment plan (the "Plan") to establish a redevelopment project, entitled the Calimesa Redevelopment Project Area No. 2 (the "Project" or "Project Area"; as appropriate; see map included herewith as Attachment "A"). Since that date, the boundaries of the Project Area have been modified.

The California Community Redevelopment Law (CCRL; Health and Safety Code Section 33000 *et seq*.) requires school districts, county offices of education, and community college districts to prepare a projection(s) regarding any change in the need for school facilities within the proposed project area for the duration of the project area. CCRL Section 33328.1(b) provides:

> When the redevelopment agency transmits the map of the project area pursuant to Section 33327, the agency shall also prepare and deliver to the Department of Finance, in the form and manner prescribed by the department, a report that includes all of the following:
>
> (1) A projection of any change in the number of residents, including, but not limited to, the number of school-age children, within the project area for the duration of the project area.
>
> (2) A projection prepared by each school district, county office of education, and community college district within the project area of any change in the need for school facilities within the project area for the duration of the project area.

To aid your office in compiling the information required by CCRL Section 33328.1(b)(2), the Agency transmitted population growth projections based on the previously proposed Project Area boundaries to your office on December 16, 2009, along with a request for a projection(s) of any change in the need for school facilities within the Project Area over the 30-year term during which the Plan would be effective within the Project Area. As a result of the change in the proposed Project Area boundaries, the

908 Park Avenue • Calimesa California 92320 • (909) 795-9801

Agency is requesting that your office provide any change in the need for school facilities within the recently modified Project Area boundaries over the next 30 years. The Agency has prepared a revised set of population growth projections (the “Projections”; included herewith as Attachment “B”), based on the currently proposed Project Area boundaries, which show a slight decrease in the growth statistics previously transmitted to your office. The build-out scenario in the Projections assumes that, over the 30-year period during which the Plan would be effective within the Project Area, parcels designated for residential uses that are currently undeveloped will fully develop in accordance with the City of Calimesa’s General Plan Housing Element, Amendment No. 1 to the Summerwind Ranch Specific Plan Area No. 1, the Final Environmental Impact Report prepared for the JP Ranch, and information provided by City Staff (see enclosed map, Attachment "A").

The Projections show the current population in the Project Area increasing by an average of 117 residents/year, for a total of 3,519 new residents 30 years out from the year the Plan is proposed for adoption. Of the 117 new residents/year, it is projected that an average of 25 new residents/year would be between the ages of 5 and 21 (potentially of school age), for a potential cumulative total of 746 new school age residents at the end of the same 30-year term. This analysis is based on a build-out scenario that includes the possible addition of 1,457 additional dwelling units in the Project Area over the 30-year period during which the Plan would be effective within the Project Area.

The Agency would be pleased to use any information provided by your offices to complete the necessary 33328.1(b) analysis and transmittals. We are requesting that you provide the requested information on or before April 20, 2010. In addition to any information you send, please also provide copies of school district boundary maps that are relevant to the proposed Project Area.

Thank you for your cooperation. If you have any questions or comments, please contact me at (909) 795-9801, or at ranstine@cityofcalimesa.net.

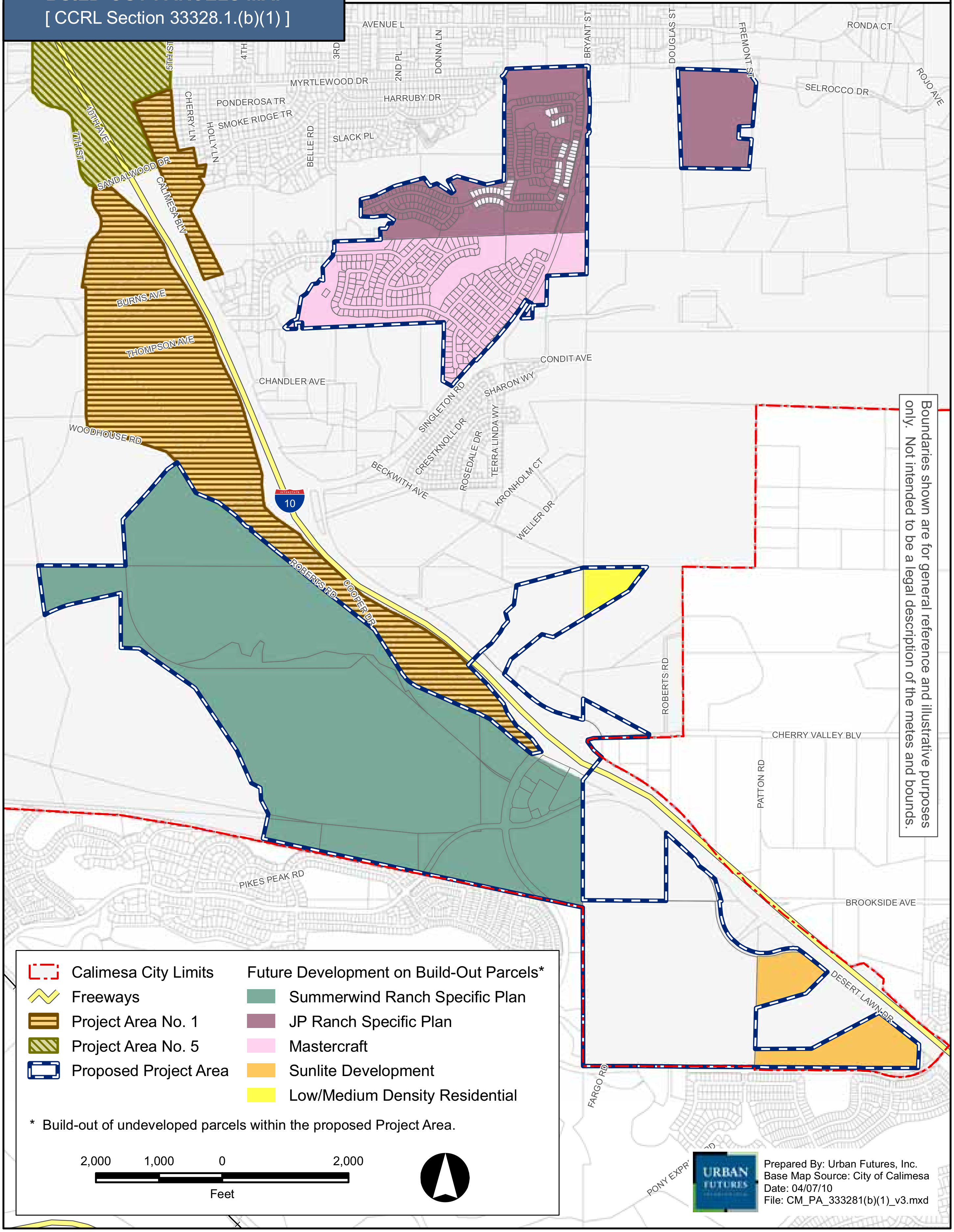
Sincerely,

Randy Anstine
Executive Director

Enclosures

ATTACHMENT A
BUILD-OUT PARCELS MAP
[CCRL Section 33328.1.(b)(1)]

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2
Calimesa Redevelopment Agency



ATTACHMENT B

POPULATION GROWTH PROJECTIONS FOR THE PROPOSED PROJECT AREA†

PROPOSED CALIMESA REDEVELOPMENT PROJECT AREA NO. 2

PROPOSED PROJECT AREA	RESULTANT BUILD-OUT GROWTH STATISTICS	POTENTIAL ANNUAL GROWTH
Dwelling Units (DUs)	1,457 *	49
Total Population	3,519 **	117
School-Age Population (ages 5 thru 21)	**746** ***	**25**

† Growth based on build-out of undeveloped parcels within the proposed Project Area per the City of Calimesa General Plan Housing Element; Summerwind Ranch Specific Plan Area No. 1, Amendment No. 1; and future development information provided by the City.

* Resultant DUs (1,457 DUs) was estimated by total DUs from potential build-out scenario (1,505 DUs) minus existing DUs in the proposed Project Area (48 DUs) .

** Estimated by the estimated DUs multiplied by the Average Persons per Household factor (2.42).

*** Estimated by estimated Total Population multiplied by percentage of School-Age Population (21.2%).

POTENTIAL DWELLING UNIT ESTIMATES

FUTURE DEVELOPMENT ON BUILD-OUT PARCELS	ACRES[1]	EXISTING DUs[1]	BUILD-OUT DUs
Summerwind Ranch[2]	551.9	1	695
JP Ranch[3]	152.9	47	465
Mastercraft[4]	136.0	0	268
Sunlite Development[5]	44.9	0	0
Low Medium Density Residential[5]	11.0	0	77
Total	344.8	48	**1,505**

CITY-WIDE CENSUS INFORMATION	
Total Population[6]	7,139
School-Age Population (ages 5 thru 21)[6]	1,513
% of School-Age Population	21.2%
Average Persons per Household[7]	2.42

[1] Urban Futures, Inc., Field data collection and GIS analysis. Please note that acreage is approximate.

[2] Per Summerwind Ranch Specific Plan Area No. 1 Amendment No. 1, adopted January 2005, and the Draft Environmental Impact Report for the Summerwind Ranch At Oak Valley Amendment No. 1 to the Oak Valley Specific Plan Area No. 1 (SCH#2004061035), dated January 2005.

[3] City of Calimesa, Final Environmental Impact Report for Development of Tentative Tract Nos. 30386 and 30387, dated February 2003, and the Tentative Tract Index exhibit map, provided by the City of Calimesa.

[4] Per Shannon Andrews, City of Calimesa Community Development Technician. The Mastercraft information was provided on January 28, 2009.

[5] City of Calimesa GIS data of General Plan / Zoning designations, provided by Willdan Engineering on December 23, 2009.

[6] U.S. Census Bureau, Census 2000 Summary File 1 (SF 1) 100-Percent Data.

[7] State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2009.