

I. Introduction and Background

The purpose of the Midterm Review of the 2007 Five-Year Implementation Plan (Implementation Plan) is to provide a review of the current status of the goals, programs and projects, and estimated expenditures set forth in the Implementation Plan and update it accordingly.

In accordance with the California Community Redevelopment Law (CRL), the Petaluma Community Development Commission (PCDC) adopted the 2007 Five-Year Implementation Plan on June 18, 2007. The purpose of the Implementation Plan was to set forth the specific goals, programs, projects, and estimated expenditures for the Project Areas administered by PCDC for the five-year period from FY 2007/08 through FY 2011/12.

The Midterm Review provides an opportunity to evaluate PCDC's progress towards its Implementation Plan goals. The CRL requires that a public hearing on the progress of the Implementation Plan take place no earlier than two years and no later than three years after adoption of the Implementation Plan. This Addendum contains the key findings of the Midterm Review and revisions to the 2007 Implementation Plan.

A. Summary of Major Findings and Changes to the Five-Year Implementation Plan

Over the past year, the Petaluma City Council, in its capacity as the PCDC Board, has undertaken an evaluation of redevelopment projects and activities. This evaluation is described in more detail in Section II below. The PCDC Board has determined to shift some resources among specific projects to more strategically utilize PCDC funding. Table 1 summarizes actual resources spent to date and projected expenditures by redevelopment program category.

B. Organization

This Addendum contains two major sections. The first section focuses on redevelopment activities not related to housing (Non-Housing Program). The second summarizes PCDC's affordable housing activities (Housing Program), discussing housing accomplishments, charting PCDC progress in meeting its affordable housing obligations, and planning for the remainder of the Implementation Plan period.

Table 1
Summary of Actual and Projected Five-Year Redevelopment Program Expenditures,
FY 2006/07 - FY 2011/12
Petaluma Community Development Commission

Programs and Projects	Expenditures		
	Actual Expenditures, FY 2006/07 to FY 2008/09^a	Projected Expenditures, FY 2009/10 to FY 2011/12	Total Actual and Projected Expenditures, FY 2006/07 to FY 2011/12
Circulation, Landscaping and Parking Improvements	\$14,460,000	\$ 12,981,000	\$ 27,440,000
Public Facilities and Infrastructure	\$4,359,000	\$ -	\$ 4,359,000
Economic Development	\$158,000	\$ 14,120,000	\$ 14,278,000
Building Rehabilitation	\$1,020,000	\$ 255,000	\$ 1,275,000
Site Preparation and Development	\$636,000	\$ 15,567,000	\$ 16,204,000
Other	\$118,000	\$ 25,000	\$ 143,000
Total Non-Housing	\$20,750,000	\$ 42,948,000	\$ 63,698,000
Affordable Housing Program^b	\$7,191,482	N/A	N/A
Total Redevelopment Program	\$27,941,482	N/A	N/A

Note: Projected expenditures rounded to the nearest thousand.

- a. To maintain consistency with the 2007 Implementation Plan, actual expenditures include FY 2006/07, which is not part of the five-year Implementation Plan period.
- b. Changes to the 2007 Implementation Plan do not include revisions to the Agency's Affordable Housing Program.

Source: Petaluma Community Development Commission.

II. Non-Housing Program

Section II of the Addendum includes a summary of non-housing program accomplishments, plans for the remainder of the Implementation Plan period, and a review of revenues and expenditures.

A. Accomplishments

PCDC has undertaken many non-housing projects and activities in the Project Areas over the initial two years of the 2007 Implementation Plan period and has major projects in focus for the remaining three years. Projects completed by PCDC in the first two years of the Implementation Plan period include, but are not limited to:

- Drafting designs for pedestrian improvements along the Petaluma River,
- Completing traffic and circulation improvements along Caulfield Extension, Petaluma Boulevard, Ely Street, Washington Street and Rainier Avenue,
- Finishing Phase 1 of the Water Street Turn Basin improvements,
- Undergrounding utilities in the Theater District, and
- Funding the Fire Sprinkler Study and Program.

Please refer to Table 2 for a full list of project completed as of the end of FY 2008/09. PCDC has been and will continue to undertake projects and activities in the Merged Project Areas to alleviate blighting conditions and achieve the goals set forth in the Redevelopment Program.

B. Plans for the Remainder of the Five-Year Implementation Plan Period

In Fall 2008, the PCDC Board began a strategic assessment of PCDC actions to establish priorities that will best encourage the revitalization of the redevelopment project areas and fiscal health. Based on Board direction, PCDC and Seifel staff:

- Reviewed recent PCDC accomplishments, projects, revenues and expenditures,
- Discussed and recommended PCDC goals and priorities,
- Compared the existing budget (per the FY 2007/08-2011/12 Implementation Plan) to goals,
- Reviewed criteria for strategically evaluating potential projects,
- Estimated anticipated resources for the remainder of the Implementation Plan period, as shown in Table 3, and
- Provided detailed funding recommendations, as shown in Table 2.

Adopting this Midterm Review will officially amend the 2007 Implementation Plan to incorporate the revised funding priorities contained in Table 2. These revisions reflect the recognition that the more PCDC invests wisely now in tax increment-generating projects, the more resources it will have in the long run. Significant resources have thus been allocated for development/redevelopment assistance and opportunity site development. City and PCDC goals, economic revitalization criteria, the opportunity to participate in strategic public private partnerships, and the Economic Development Strategy (anticipated in 2010) will guide the use of these funds.

Table 2
Revised Five-Year Non-Housing Redevelopment Program Expenditures,
FY 2006/07 - FY 2011/12
Petaluma Community Development Commission

	Project Title	Project Number ^a	Project Status	Actual Expenditures, FY 2006/07 to FY 2008/09	Projected Expenditures, FY 2009/10 to FY 2011/12	Total Actual and Projected Expenditures, FY 2006/07 to FY 2011/12
Circulation, Landscaping and Parking Improvements						
	PCDC CIP Salary/Benefit ^b	C200001	Completed	\$ 394,458	\$ -	\$ 394,458
	Caulfield Extension and Railroad Crossing	C1200104	Completed	\$ 1,506,000	\$ -	\$ 1,506,000
	North Water Street	C200105	Completed	\$ 30,020	\$ -	\$ 30,020
	Petaluma Boulevard - Bike Lanes	C200108	Completed	\$ 47,595	\$ -	\$ 47,595
	Petaluma Boulevard Street Improvements	C200304	In Progress	\$ 1,317,000	\$ 6,000	\$ 1,323,000
	Keller/Western Avenue to B Street Reconstruction	C200308	Completed	\$ 90,000	\$ -	\$ 90,000
	Water Street/Turn Basin Improvements - Phase 1	C200403	Completed	\$ 762,000	\$ -	\$ 762,000
	River Trail Design for Top of Bank	C200503	Completed	\$ 1,950,000	\$ -	\$ 1,950,000
	D Street Bridge Replacement of Trunnion Bearings (for bridge rotation)	C201204	Completed	\$ 292,000	\$ -	\$ 292,000
	Ely/Caulfield/Payran Street Reconstruction	C500206	Completed	\$ 2,682,000	\$ -	\$ 2,682,000
	Washington Street/6th Street	C500207	Completed	\$ 987,000	\$ -	\$ 987,000
	Rainier Avenue Cross-Town Connector and Interchange	C501204	Completed	\$ 3,000,000	\$ -	\$ 3,000,000
	Old Redwood Highway Interchange Widening	C501304	In Progress	\$ 1,000,000	\$ 9,000,000	\$ 10,000,000
	Assessments	P201010	Ongoing	\$ 170,254	\$ 104,746	\$ 275,000
	Landscape Improvements	P201040	Completed	\$ 2,266	\$ -	\$ 2,266
	Traffic Signal Upgrades	P201150	Completed	\$ 98,959	\$ -	\$ 98,959
	E. Washington Street Interchange Improvements	P201160	In Progress	\$ 130,000	\$ 3,870,000	\$ 4,000,000
	Subtotal			\$ 14,459,552	\$ 12,980,746	\$ 27,440,298
Public Facilities and Infrastructure						
	1st/2nd Street Warehouse	C200207	Completed	\$ 553	\$ -	\$ 553
	Downtown Improvements Phase II	C200603	Completed	\$ 109,500	\$ -	\$ 109,500
	CPSP Theater District/D Street Underground	C200703	Completed	\$ 3,615,859	\$ -	\$ 3,615,859
	Police Headquarters Renovations/Relocation	C300106	Ongoing	\$ 39,000	\$ -	\$ 39,000
	Relocation of Fire Station 1	C300305	Ongoing	\$ 594,000	\$ -	\$ 594,000
	Subtotal			\$ 4,358,912	\$ -	\$ 4,358,912
Economic Development						
	Downtown Association	P201020	Ongoing	\$ 157,667	\$ 120,000	\$ 277,667
	Development/Redevelopment Assistance ^c	N/A	Not Started	\$ -	\$ 14,000,000	\$ 14,000,000
	Subtotal			\$ 157,667	\$ 14,120,000	\$ 14,277,667

	Project Title	Project Number ^a	Project Status	Actual Expenditures, FY 2006/07 to FY 2008/09	Projected Expenditures, FY 2009/10 to FY 2011/12	Total Actual and Projected Expenditures, FY 2006/07 to FY 2011/12
Building Rehabilitation						
	Storefront Improvement Loan Program	P201011	Completed	\$ 459,920	\$ -	\$ 459,920
	Community Facilities Miscellaneous Projects	C100108	Completed	\$ 50,000	\$ -	\$ 50,000
	Petaluma Railroad Depot Renovation	C200303	In Progress	\$ 353,000	\$ 40,260	\$ 393,260
	URM Seismic Retrofit Program	P201070	In Progress	\$ 39,224	\$ 110,776	\$ 150,000
	Railroad Depot Lease	P201110	Ongoing	\$ 95,758	\$ 104,242	\$ 200,000
	Fire Sprinkler Study & Program	P201190	Completed	\$ 21,946	\$ -	\$ 21,946
	Subtotal			\$ 1,019,848	\$ 255,278	\$ 1,275,126
Site Preparation and Development^d						
	Brownfields EPA Assessment Project	P201140	In Progress	\$ 236,242	\$ 163,758	\$ 400,000
	Dredging Petaluma River (Feb. 2007)	F93306	Completed	\$ 400,000	\$ -	\$ 400,000
	Auto Center Drive Extension	C53101002	Not Started	\$ -	\$ 1,346,000	\$ 1,346,000
	Opportunity Site Development	N/A	Not Started	\$ -	\$ 14,057,596	\$ 14,057,596
	Subtotal			\$ 636,242	\$ 15,567,354	\$ 16,203,596
Other						
	Eden Software	N/A	Completed	\$ 56,000	\$ -	\$ 56,000
	ADA Self Evaluation and Transition Plan	N/A	Not Started	\$ -	\$ 25,000	\$ 25,000
	General Plan	M002020	Completed	\$ 51,983	\$ -	\$ 51,983
	Traffic Engineering Services	P201180	Completed	\$ 9,899	\$ -	\$ 9,899
	Subtotal			\$ 117,882	\$ 25,000	\$ 142,882
Total Actual and Projected Non-Housing Expenditures:				\$ 20,750,103	\$ 42,948,378	\$ 63,698,481

a. Project numbers starting with C indicate a capital improvement, defined as the cost of purchasing or constructing improvements. Includes design, project administration, right of way acquisition, environmental and physical mitigations and improvements. Project numbers starting with P indicate a program, defined as a group of related activities performed by one or more organizational units for the purpose of accomplishing a City responsibility.

b. Included in project costs.

c. Development/Redevelopment activities include, but are not limited to:

1. Attract new business and retain existing businesses.
2. Provide business and developer incentives. Provide opportunities for participation by owners and tenants in the revitalization of their properties.
3. Enhance accessibility to employment, retail and entertainment opportunities.
4. If necessary, provide assistance to the private sector to ensure development.

d. See also "Circulation, Landscaping and Parking Improvements" and "Public Facilities and Infrastructure" projects that catalyze private investment.

Source: Petaluma Community Development Commission, City of Petaluma FY 2007/08 Budget; City of Petaluma Public Works Department; City of Petaluma Finance Department; Seifel Consulting Inc.

Estimated resources available to PCDC are summarized in Table 3.

Table 3
Resources Available, FY 2009/10 – FY 2011/12
Petaluma Community Development Commission

Total Fund Balance (Est. as of 6/30/09)*	\$ 23,448,000
Fund 5400	\$ 23,478,000
Other Funds	\$ (30,000)
Additional pay-as-you-go revenue**	\$ 7,500,000
Additional bonding capacity	\$ 12,000,000
Estimated Funds Available (FY 2009/10 to FY 2011/12)	\$ 42,948,000

*No 2008/09 ERAF Shift made.

**\$2.5 million annually in tax increment for non-housing projects during 2009/10-2011/12, after debt obligations, pass through payments and Agency administration.

All figures rounded to the nearest 1,000.

Source: Petaluma Community Development Commission; Seifel Consulting Inc.

These funding estimates will be impacted by the following factors:

- The State budget and supplemental Educational Revenue Augmentation Fund (SERAF) payments. The State budget passed in July 2009 appropriates \$2.05 billion in redevelopment funds statewide, including roughly \$5 million from PCDC in FY 2009/10 and \$1 million in FY 2010/11. This appropriation will be challenged in Court. If it is upheld, PCDC will have to make the FY 2009/10 payment by May 10, 2010.
- Changes in Assessed Valuation. Tax increment revenues are based on changes in assessed valuation. According to the Sonoma County Auditor-Controller, FY 2009/10 assessed values appear to have increased slightly above previous year values. Given the current economic downturn and uncertain state of the market, assessed values may decline in the coming years and reduce anticipated tax increment revenues. On the other hand, assessed value will increase as new development projects are completed. Current projections conservatively estimate no new development over the remainder of the five-year Implementation Plan period. Projects that go forward would increase tax increment revenues, potentially counteracting negative reassessments and raising overall revenues.
- PCDC bonding capacity. Estimated funds to be raised toward the end of the five-year Implementation Plan period include \$12 million in bond proceeds.¹ Given projected revenues and debt service levels, PCDC appears to have the capacity to raise these funds. However, the California budget, SERAF takes, and potential for Assessed Value fluctuations have introduced uncertainty regarding future revenues and, therefore, the

¹ Bond proceeds estimated based on tax increment available for non-housing projects and activities in 2011/12, 6 percent interest, a 30 year term, and a 1.25 debt coverage ratio.

bonds backed by them. The tax allocation bond market is also in a period of transition, thwarting reliable estimates of potential proceeds. As a result, bond proceeds may be lower or higher than currently projected.

If some of the anticipated revenues are not available, PCDC will be forced to cut back on non-housing projects and activities planned for the remainder of the Implementation Plan period.

C. Conclusion

PCDC has accomplished many significant non-housing projects and activities in the Project Areas over the initial two years of the Implementation Plan period. Many of the Implementation Plan projects and activities have been accomplished or initiated. PCDC's activities represent an intentional strategy to leverage PCDC's investment in the community that will, in turn, increase future tax increment revenues for upcoming revitalization projects. Each of the projects and programs are meant to position PCDC to alleviate blight and realize many of the City's General Plan, Capital Improvement Program, and Specific Plans goals and objectives. During the final three years of the Implementation Plan period, PCDC will continue to work towards the completion of projects and plan for the future.

III. Housing Program

This section of the Addendum reviews housing accomplishments to date, charts PCDC progress in meeting its affordable housing obligations, and discusses plans for the remainder of the five-year Implementation Plan period.

A. Accomplishments

Over the initial two years of the Implementation Plan period, PCDC has undertaken many housing projects and activities focused on the provision of affordable housing. Housing projects completed by PCDC in the first two years of the Implementation Plan period include:

- Assisting with the rehabilitation of 33 very low and 40 low income rental units at Corona Ranch Apartments;
- Providing financing for the construction of 43 very low and 14 low income rental senior units at the Casa Grande Senior Apartments project; and
- Committing housing funds for the construction and rehabilitation of rental housing throughout the Merged Project Areas.

B. Plans for the Remainder of the Five-Year Implementation Plan Period

The housing component of the 2007 Implementation Plan sets forth specific goals and objectives for the Five-Year Implementation Plan period (FY 2007/08 through FY 2011/12); presents estimates of specific Housing Fund deposits, projects and expenditures planned for the

Implementation Plan period; explains how the stated goals, objectives, deposits, programs, projects and expenditures will produce affordable housing units to meet these obligations; and projects housing production over the life of the Plan.

The goals, objectives, and programs contemplated in the 2007 Implementation Plan have not changed. For the purposes of this Midterm Review of the status and progress of PCDC's housing obligations, the following components have been reviewed:

- Housing Fund Revenues, Expenditures, and Targeting - Redevelopment agencies are required to deposit tax increment into the Housing Fund and expend tax increment revenue for the provision of affordable housing.
- Housing Production Plan - Minimum percentages of new or substantially rehabilitated housing units in a project area are to be made available at an affordable housing cost.
- Replacement Housing Plan - Agencies must replace housing units removed from the housing stock as a result of redevelopment activities.

In addition, if a project area is within three years of reaching the time limit of plan effectiveness, PCDC must address CRL requirements in the Midterm Review in regards to PCDC's ability to comply with its housing obligation. These requirements are not applicable to PCDC at this time, as neither Project Area will reach its time limit for plan effectiveness within three years.

1. Housing Fund Revenues, Expenditures and Targeting

The CRL requires PCDC to set aside in a separate, segregated Low and Moderate-Income Housing Fund (Housing Fund) at least 20 percent of all tax increment revenue generated from its Project Areas for the purpose of increasing, improving and preserving the community's supply of low and moderate-income housing.

Under the CRL, Housing Fund moneys must be targeted to specific income levels according to need and to non-age restricted housing. The targeting obligations must be met over the period between January 1, 2002, and the compliance period ending in 2014. Income level and non-age restricted expenditure requirements set forth in the 2007 Implementation Plan remain unchanged as of this year. Please see the 2007 Implementation Plan for a discussion of these requirements. As presented below, PCDC expenditures continue to exceed these requirements.

Targeting to Income Level

Table 4 summarizes the percentage of Housing Fund moneys spent on each of the targeted income levels, as defined by the CRL. PCDC expenditures are more than adequate to satisfy the requirements of AB 637. PCDC anticipates meeting its income targeting requirements based on its fair share of regional housing needs, as determined by ABAG in the proportions described in Table III-7 of the 2007 Implementation Plan, for the ten-year compliance period ending in 2014.

Table 4
Housing Fund Expenditures
Targeting by Income, 1/1/2002–6/30/2009
Petaluma Community Development Commission

Income Group	Expenditures^a	Percent of Total Expenditures	Expenditure Percentage Need by Income Level^b
Very Low	\$9,707,000	68%	At least 42%
Low	\$4,542,000	32%	At least 28%
Moderate	\$0	0%	No more than 30%
Total	\$14,249,000	100%	100%

a. Expenditures to date based on data available from the Petaluma Housing Department.

b. Based on ABAG Regional Housing Needs Allocation , 1999-2006.

Source: Association of Bay Area Governments, Petaluma Community Development Commission.

Targeting to Non-Age Restricted Housing

In addition to the requirement outlined above, as of January 1, 2002, a defined minimum percentage of Housing Fund moneys must be spent on housing available to all persons regardless of age. In 2005, the State Legislature amended the method of determining the minimum percentage of Housing Fund moneys to be spent on non-age restricted housing. This minimum is equal to the percentage of Petaluma’s low-income households with a member under age 65, as reported in the most recent U.S. Census. As shown in Table IV-6 of the 2007 Implementation Plan, the 2000 Census indicates that 56 percent of the City’s low-income households have a householder under 65 years of age. Thus, PCDC must expend at minimum 56 percent of its funds on housing that does not impose age restrictions on residents.

PCDC has expended a total of approximately \$7.3 million on non-age restricted housing and \$6.9 million on age restricted housing since January 1, 2002, as shown in Table 5. While Housing Fund expenditures on non-age restricted housing do not meet the target percentages, PCDC plans to meet the required expenditure amounts for the current compliance period ending in 2014.

Table 5
Housing Fund Expenditures
Targeting by Income, 1/1/2002–6/30/2009
Petaluma Community Development Commission

Age Targeting	Expenditures^a	Percent of Total Expenditures	Target Percentage	
Non-Age Restricted Housing	\$7,337,000	51%	At least	56%
Age Restricted Housing	\$6,912,000	49%	No more than	44%
Total	\$14,249,000	100%		100%

a. Expenditures to date based on data available from the Petaluma Housing Department.

Source: U.S. Census Bureau, U.S. Department of Housing and Urban Development, Petaluma Community Development Commission.

2. Housing Production Plan

The CRL requires redevelopment agencies to report on historical housing production and to adopt a plan for each project area showing how PCDC intends to meet its Housing Production Requirement (the Housing Production Plan). For this Midterm Review, PCDC's housing production is reported for the first two years of the Implementation Plan period, and is projected for the remaining three years of the Implementation Plan period. PCDC has met, and expects to continue to meet, its housing production obligations. Please see the 2007 Implementation Plan for a more detailed explanation of CRL housing production requirements.

Table 6 presents the status of PCDC's affordable housing production obligation through the first two years of the five-year Implementation Plan period and projections for the remainder of the 10-year compliance period.

Table 6
Housing Production and Affordable Housing Obligation
Petaluma Community Development Commission

	Through FY 2003/04	FY 2004/05 - FY 2008/09	FY 2009/10 - FY 2013/14	FY 2014/15 - FY 2031-32	FY 2004/05 - FY 2013/14 ^a	Total over Life of Plans ^b	Percent
Housing Production^c							
New Units	890	840	130	354	970	2,214	
Substantial Rehabilitation	20	5	5	5	10	35	
Total	910	845	135	359	980	2,249	
CRL Affordable Housing Obligation^d							
Very Low	55	51	8	22	59	135	6%
Very Low, Low or Moderate	137	127	20	54	147	337	15%
Affordable Housing Production^e							
Very Low	471	77	134	27	211	709	
Very Low, Low or Moderate	912	173	201	43	374	1,329	
Affordable Production Surplus (Deficit)^f							
Very Low	416	26	126	5	152	574	
Very Low, Low or Moderate	776	46	181	(11)	227	992	

a. As required by CRL, total units over ten year compliance period (Section 33490(a)(2)(B)).

b. As required by the CRL, total units over the life of the Redevelopment Plans (Section 33490(a)(2)(B)).

c. Total units produced in the Project Areas during the specified time period.

d. Number of affordable units required based on units produced. Affordable housing production obligation for non-Agency developed housing requires 15% of total units to be available at affordable cost. Of those units, at least 40% must be affordable to very low income households (6% of the total units). Agency developed housing has higher inclusionary requirements. The Agency has not, and does not anticipate, directly developing units.

e. Number of units satisfying CRL affordable housing production obligation. Affordable units produced outside Project Areas counted on a one for two basis.

f. Remaining affordable surplus or obligation at the end of the period.

Note: Percentages may not add exactly due to rounding. CRL affordable housing production requirements are rounded up to the nearest whole unit.

Source: Petaluma Community Development Commission, Seifel Consulting Inc.

3. Replacement Housing Plan

Historically, PCDC has not destroyed or removed any residential units, nor does they Agency plan to do so over the remainder of the implementation plan period. However, in the event that PCDC were to undertake projects that could result in the displacement of households in the next ten years, PCDC would replace all units and follow all state requirements for replacement housing and relocation.

C. Conclusion

PCDC has been working diligently towards achieving its housing goals for the five-year Implementation Plan period. Much has been accomplished in the first two years and exciting projects are underway for the remaining three years.