AFFORDABLE HOUSING COMPLIANCE PLAN UPDATE

Covina Redevelopment Agency

FY 2004-05 THROUGH 2013-14

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INTRODUCTION

This document is the Updated Second 10 Year Housing Compliance Plan (the "2009 Housing Plan") for the Covina Redevelopment Agency's ("Agency") FY 2009-10 through 2013-14 Five-Year Implementation Plan ("Implementation Plan"). The 2009 Housing Plan accompanies the Implementation Plan and was prepared pursuant to the California Community Redevelopment Law (Health and Safety Code Section 33000 *et seq*., "CRL") and is to be adopted by the Agency following a duly noticed public hearing held on December 1, 2009. This document updates the 10 Year Housing Compliance Plan (FY 2004-05 through 2013-14) (the "2004 Housing Plan") adopted on December 20, 2004.

This Housing Compliance Plan covers the Agency's two redevelopment project areas:

- Project Area No. 1
- Project Area No. 2

Both of the above-mentioned redevelopment project areas are collectively referred to as the "Project Areas". Project Area No. 1 was adopted in 1974 and includes 10 non-contiguous subareas, encompassing approximately 500 acres. In September 1983, the Agency adopted Project Area No. 2 to address blighting conditions in other portions of the City that were not already located within Project Area No. 1. Project Area No. 2 was amended in 1987 to add territory, which includes the downtown area of the city. Project Area No. 2 consists of six non-contiguous subareas spread throughout the City and encompasses approximately 99 acres.

OVERVIEW OF AFFORDABLE HOUSING COMPLIANCE

The CRL requires redevelopment agencies to identify how they will achieve their affordable housing obligations for their redevelopment project areas. The resulting document is referred to as a housing compliance plan and must be reviewed and, if necessary, amended at least every five years in conjunction with the cyclical preparation of the jurisdiction's housing element or the agency's five year implementation plan. This document addresses specific requirements in the CRL with respect to prior affordable housing activities and the anticipated housing program for the current 10 year period (FY 2004-05 through 2013-14). This document also evaluates the Agency's anticipated affordable housing obligations and activities for the next 10 years (FY 2009-10 through 2018-19) and the remaining life of the Redevelopment Plans.

The Agency is required to allocate 20 percent of the tax increment revenue it receives from its Project Areas to increase and improve the supply of housing affordable to very low, low, and moderate income households. The housing fund has been established for this revenue. The Agency has the authority to expend housing funds either inside or outside the Project Areas and aggregate its housing production activities among both Project Areas to more effectively meet affordable housing objectives.

Affordable housing obligations generally fall into three categories:

- Inclusionary Housing: Based on the number of housing units constructed or substantially rehabilitated over the 10 year period, a redevelopment agency is to ensure that a percentage of these units are affordable to very low, low, and moderate income households.
- Replacement Housing: Redevelopment agencies must ensure that any housing units containing very low, low, or moderate income households removed or destroyed as a result of an agency redevelopment project are replaced within four years.

- Expenditures by Household Type: Specific requirements on the proportion of housing funds an agency must spend over the 10 year period on housing affordable to very low income households, low income households, and housing for residents under the age of 65.

As an older redevelopment project area, Project Area No. 1 is generally exempt from the obligations of Section 33413, except that any dwelling units with households of very low, low, or moderate income removed after January 1, 1996, must be replaced pursuant to 33413(a). Inclusionary housing requirements do not apply to Project Area No. 1, which was adopted in 1974.

COVINA REDEVELOPMENT AGENCY'S AFFORDABLE HOUSING POLICY AND GOALS

The Agency has a long track record of providing affordable housing at a variety of income levels. The Agency has assisted with new construction of family rental and ownership units, acquisition and rehabilitation of apartment buildings, transitional housing, homebuyer assistance loans, one-time housing assistance grants, and rental subsidies for senior citizens.

The Agency seeks to preserve and enhance the quality of life for the entire community through the elimination of blight and provision of quality affordable housing. Specific housing goals include:

- To increase, improve, and preserve the supply of very low, low, and moderate income housing citywide.
- To leverage the Agency's housing funds with other resources in order to promote affordable housing.
- To ensure that the dollars spent for general administrative activities are not disproportionate to the amounts actually spent to produce, increase, and preserve affordable housing.
- To give priority to affordable housing proposals that will eliminate or prevent the spread of blight citywide and decrease excess demands on public services such as police, code enforcement, and building and safety within the Project Areas.
- To continue efforts to stimulate the construction of affordable infill housing units on a citywide basis.
- To encourage the development and rehabilitation of affordable multifamily rental housing units.

AGENCY ACCOMPLISHMENTS DURING THE PREVIOUS FIVE YEARS

In the last five years, the Agency has completed many successful projects in the Project Areas:

- **Vista Pointe (Shadowhills) Affordable Housing Project** - In 1985, the Agency issued bonds to finance the 216-unit apartment project in consideration of covenants and agreements. The issuance of the Covina Redevelopment Agency Multifamily Housing Revenue Refunding Bonds, Series A of 1994, in the amount of $13,980,000, redeemed the 1985 bonds. Under the previous ownership, the affordable covenants on 44 units were scheduled to expire on December 7, 2007. Under an ownership change approved by the Agency Board in July 2007, the new owners agreed to extend the covenant period to the first date on which no tax-exempt private activity bonds with respect to the Project are outstanding. The term of the issue is until December 1, 2015. An administrative fee of $16,031.25 is paid to the Agency to provide for an outside administrator to oversee the reporting on the affordable units.

- **Village Green Senior Housing** - In 1987, the Agency participated in the construction of 140 senior units in which the Agency retained ownership of the land and leased it to the developer. In September 2005, the land was sold to the developer and new covenants were recorded on the property for a period of 55 years, expiring September 7, 2060.

- **Wings Transitional Housing** - The Agency provides an annual grant to the Young Women's Christian Association ("YWCA") to provide two transitional housing units for victims of domestic abuse and their children.

- **McGill Street House** - In July 2004, the Agency purchased a single family home to serve as a transitional home for homeless families, primarily single women with children. The Agency expended $426,218 from Agency set-aside funds to purchase the home and close escrow. The transitional house provides housing for two adults and up to seven children.

- **147/149/151 East College** - In preparation for the planned housing project in the block bordered by Citrus Avenue, Italia, College, and Second, the Agency purchased the property at 147/149/151 East College Street for the production of affordable housing.

- **Vintage Walk Affordable Housing Down Payment Program** - A down payment program was approved by the Agency Board to make affordable housing available at the Vintage Walk housing development. In Phase One, 60 units were built, of which six were affordable for moderate income households. The Down Payment Program offered $30,000 of assistance per unit, on a forgivable loan of 1.5 percent simple interest. The loan is forgiven after twenty years. Six buyers participated in the Program and one of those buyers also participated in the California Housing Finance Agency Affordable Housing Partnership Program (CalHFA) affordable mortgage program.

- **Rental Subsidy Program** - The Agency has provided financial assistance under the continuing rental subsidy program, which provides rental subsidies for qualifying low to moderate income households in the city. Pursuant to section 33334.28 of the CRL, the Agency is exempt from Section 33334.4(b) until January 1, 2012, for expenditures on senior rental subsidies that have been continuously provided by the Agency to seniors prior to January 1, 2002.

- **Neighborhood Preservation Program** - This program provides for integration of various Agency activities in a coordinated approach to addressing neighborhood deterioration. The goal of the Program is to identify and correct substandard housing and blight on a target-neighborhood basis.
- **Rehabilitation and Preservation Programs** - The Housing Rehabilitation and Preservation Program continued to be funded. This is the Agency's method of funding residential repair and improvement activities. The intent, by making financial assistance available to qualifying low and moderate income households, is to help maintain, protect, and preserve the community's existing affordable housing stock.
- **Bond Program Financing – Bond Issue of 2004** - In November 2004, the Agency issued Tax Allocation Bonds for future affordable housing development. The 2004 Tax Allocation bond issue Series B have a maturity date of 2023, and the amount available for affordable housing development is approximately $4.5 million.

INCLUSIONARY HOUSING NEEDS

This section describes the Agency's inclusionary housing needs for the next five years and over the duration of the Redevelopment Plans.

DEFINITIONS AND DATA COMPILATION

The 2009 Housing Plan takes into account all residential construction or substantial rehabilitation that has occurred within the Project Areas since their adoptions in order to determine inclusionary housing needs. The 2009 Housing Plan includes figures for existing residential construction and substantial rehabilitation, and projections for the number of additional dwelling units to be constructed or substantially rehabilitated during the next 10 years. The following sections define "new construction" and "substantially rehabilitated" as used in the 2009 Housing Plan, as well as the methodology used for collecting data on both existing and projected housing units.

New Construction

Agency staff provided new construction estimates used in the 1994, 1999, 2004, and 2009 Housing Compliance Plans. Because the CRL does not provide a clear definition for new construction, Agency staff, consultants, and legal counsel have agreed upon a "definition" for new construction. For the purposes of this 2009 Housing Plan, new construction represents building permits issued for the construction of new dwelling units actually built since the respective adoption date of Project Area No. 2 through June 2009. Therefore, these units would fall under the requirements for inclusionary housing within Project Area No. 2 pursuant to Section 33413 of the CRL (Project Area No. 1 is exempt from this requirement). Projections of new units have been based upon these established projections and estimates.

Projections are affected by numerous complex factors such as the general health of the local, regional, and national economy; employment levels; competition; and inventory of existing housing. Based upon recent economic trends, projecting the number of new units to be constructed over the next 10 years is difficult. Projections for future dwelling units to be constructed within the Project Areas used in previous Housing Compliance Plans were based upon existing land uses and recent historical trends of building permits issued for residential units. Table 1 accounts for all units constructed through the end of FY 2008-09.

Future projections of new units have been based on anticipated development and distributed over the remaining life of Project Area No. 2 (Project Area No. 1 is exempt for inclusionary housing requirements).

It should be noted that projections for future dwelling units in the Project Areas do not include any units to be developed by the Agency. According to Agency staff, the Agency does not anticipate directly developing or rehabilitating any dwelling units that would trigger the 30 percent inclusionary housing requirement of CRL Section 33413(b)(l). However, as funding allows, the Agency will continue to cooperate with and provide assistance and incentives to private developers and nonprofits in order to meet affordable housing production goals.

Substantial Rehabilitation

CRL Section 33413(b)(2)(A)(iv) defines substantial rehabilitation as, "rehabilitation, the value of which constitutes 25 percent of the after rehabilitation value of the dwelling, inclusive of the land value".

Pursuant to CRL Section 33413(b)(2)(A)(iii), "On or after January 1, 2002,…'substantially rehabilitated dwelling units' means all units substantially rehabilitated, with agency assistance. Prior to January 1, 2002, 'substantially rehabilitated dwelling units' shall mean substantially rehabilitated multifamily rented dwelling units with three or more units regardless of whether there is agency assistance, or substantially rehabilitated, with agency assistance, single-family dwelling units with one or two units."

UNITS CONSTRUCTED OR SUBSTANTIALLY REHABILITATED

The Agency's inclusionary obligation is based upon the number of dwelling units constructed or substantially rehabilitated by the Agency and the number of dwelling units constructed or substantially rehabilitated in Project Area No. 2. The following Table 1 details the number of these units since adoption of Redevelopment Plans.

Units Constructed or Substantially Rehabilitated **Table 1**
Covina Redevelopment Agency

	Project Area No. 1[1]	Project Area No. 2	Outside Project Areas
Units Through December 1994	Exempt		
Agency Developed Units		-	-
Privately Developed Units		356	-
SUBTOTAL NEW/REHABILITATED UNITS		356	-
Units January 1995 - December 1999	Exempt		
Agency Developed Units		-	1
Privately Developed Units		12	-
SUBTOTAL NEW/REHABILITATED UNITS		12	1
Units January 2000 - December 2004	Exempt		
Agency Developed Units		-	-
Privately Developed Units		-	-
SUBTOTAL NEW/REHABILITATED UNITS		-	-
Units FY 2004-05 - 2008-09	Exempt		
Agency Developed Units		-	-
Privately Developed Units		60	-
SUBTOTAL NEW/REHABILITATED UNITS		60	-
TOTAL NEW/REHABILITATED UNITS PRE-1994 THROUGH FY 2008-09		**428**	**1**

[1] Pursuant to 33413(d) of the CRL, any project area adopted prior to January 1, 1976, is exempt from inclusionary housing requirements. Project Area No. 1 was adopted in 1974 and is exempt from inclusionary housing requirements and an accounting of new or substantially rehabilitated units is not necessary.

Note: Includes units developed by new construction and substantial rehabilitation.

Source: Covina Redevelopment Agency

To date 428 units have been constructed or substantially rehabilitated in Project Area 2. One unit was constructed or substantially rehabilitated by the Agency outside of the Project Areas.

Affordable Housing Provided Outside of the Project Areas

CRL 33413(b)(2)(A)(ii) provides that the Agency's obligations under CRL Section 33413 may be met by providing affordable housing outside the Project Areas on a two-for-one basis.

During the adoption process for Project Area No. 2, and following the adoption of Project Area No. 1, the Agency adopted appropriate resolutions that allow the Agency to expend its 20 percent housing funds outside of each respective Project Area by making findings that it will be of benefit to each Project Area.

Since the adoption of Project Area No. 2, 191 units have been constructed or substantially rehabilitated outside of the Project Areas. These projects include Agency developed and privately developed units.

INCLUSIONARY OBLIGATION STATUS

Table 2 details the Agency's inclusionary housing obligation status with updated total units produced to date in the Project Areas, and those expected to be produced from FY 2009-10 through the expiration of each of the Redevelopment Plans.

Inclusionary Housing Obligation Status **Table 2**

Covina Redevelopment Agency

Project Area and Time Period			Number of Units Produced	Total Number of Very Low, Low & Moderate Units Required	Very Low Units Required
PROJECT AREA NO. 1			Exempt[1]		
PROJECT AREA NO. 2					
	Date of Adoption Through December 1994	Agency Developed Units	-	-	-
		Privately Developed Units	356	53.4	21.4
		SUBTOTAL	**356**	**53.4**	**21.4**
1st 10-Yr. Period	January 1995 - December 2004	Agency Developed Units	1	0.3	0.2
		Privately Developed Units	12	1.8	0.7
		SUBTOTAL	**13**	**2.1**	**0.9**
2nd 10-Yr Period	FY 2004-05 - 2008-09	Agency Developed Units	-	-	-
		Privately Developed Units	60	9.0	3.6
	FY 2009-10 - 2013-14	Agency Developed Units (Projected)	-	-	-
		Privately Developed Units (Projected)[2]	85	12.8	5.1
		SUBTOTAL	**145**	**21.8**	**8.7**
3rd 10-Yr. Period (1st Half)	FY 2014-15 - 2018-19	Agency Developed Units (Projected)	-	-	-
		Privately Developed Units (Projected)	-	-	-
		SUBTOTAL	**-**	**-**	**-**
Remainder	FY 2019-20 - 2027-28	Agency Developed Units (Projected)	-	-	-
		Privately Developed Units (Projected)[2]	655	98.3	39.3
		SUBTOTAL	**655**	**98.3**	**39.3**
Total Units Over Life of Redevelopment Plan			**1,169**	**175.5**	**70.2**

[1]Pursuant to 33413(d) of the CRL, any project area adopted prior to January 1, 1976, is exempt from inclusionary housing requirements. Project Area No. 1 was adopted in 1974 and is exempt from inclusionary housing requirements and an accounting of new or substantially rehabilitated units is not necessary.

[2]Provided by City of Covina.

Source: City of Covina

The Agency anticipates a total of 1,169 units will be produced over the life of the Redevelopment Plan for Project Area No. 2, of which 740 units would be produced between FY 2009-10 and 2027-28. Of the 1,169 units, 175.5 units would need to be restricted for households of very low, low and moderate incomes and 70.2 of those units would need to be restricted to very low income households.

INVENTORY OF EXISTING DEED-RESTRICTED UNITS

The Agency is obligated under CRL Section 33413(b) to ensure that 15 percent of non-Agency developed units in Project Area No. 2 (and 30 percent of any Agency developed units) are affordable to very low, low, and moderate income households, and remain affordable through the term of their respective covenants.

To satisfy the Agency's inclusionary needs, affordable units that are either developed or substantially rehabilitated must be covered by restrictive covenants. Housing units created or assisted after 2001 must carry 45-year covenants for units available for purchase and 55-year covenants for rental units. Units may be constructed inside or outside the Project Areas, but units provided outside a project area count on a two-for-one basis. The Agency may also produce very low and low income affordable units by purchasing 55-year affordability covenants on multifamily rental units.

Table 3 presents an inventory of the Agency's existing deed-restricted affordable units.

Calculation of Affordable Units Produced — **Table 3**
Covina Redevelopment Agency

Projects	Location of Units		Number of Very Low Income Units		Number of Low Income Units		Number of Moderate Income Units		Total Number of Units	
	PA 2	Outside	Total	Credited	Total	Credited	Total	Credited	Total	Credited
Plan Adoption Through December 1994										
Vista Pointe (Shadow Hills)	44.0	-	9.0	9.0	35.0	35.0	-	-	44.0	44.0
Village Green	140.0	-	8.0	8.0	20.0	20.0	112.0	112.0	140.0	140.0
SUBTOTAL	**184.0**	**-**	**17.0**	**17.0**	**55.0**	**55.0**	**112.0**	**112.0**	**184.0**	**184.0**
January 1995 - December 1999										
Smith Family Trust	12.0	-	12.0	12.0	-	-	-	-	12.0	12.0
Agency Constructed	-	1.0	-	-	-	-	1.0	0.5	1.0	0.5
Orange Grove (Private Rehab)	-	10.0	-	-	10.0	5.0	-	-	10.0	5.0
SUBTOTAL	**12.0**	**11.0**	**12.0**	**12.0**	**10.0**	**5.0**	**1.0**	**0.5**	**23.0**	**17.5**
January 2000 - December 2004										
Cienega Gardens	-	178.0	72.0	36.0	106.0	53.0	-	-	178.0	89.0
SUBTOTAL	**-**	**178.0**	**72.0**	**36.0**	**106.0**	**53.0**	**-**	**-**	**178.0**	**89.0**
FY 2004-05 - 2008-09										
Vintage Walk Phase 1	6.0	-	-	-	-	-	6.0	6.0	6.0	6.0
228-236 W. Center Street[1]		2.0	1.0	-	1.0	-	-	-	2.0	-
SUBTOTAL	**6.0**	**2.0**	**-**	**-**	**-**	**-**	**6.0**	**6.0**	**6.0**	**6.0**
TOTAL	**202.0**	**191.0**	**101.0**	**65.0**	**171.0**	**113.0**	**119.0**	**118.5**	**391.0**	**296.5**

[1] Units are replacement units. The Agency cannot receive inclusionary housing credit for these units.

Source: City of Covina

To date, the Agency's efforts have yielded 391 affordable units. Because the Agency has produced a number of affordable units outside of the Project Areas, the Agency's inclusionary unit need has been credited with 296.5 restricted units. Of the 296.5 credited restricted units provided, 65 units are reserved for very low income households, and the remaining 231.5 units are available to very low, low, and moderate income households.

INCLUSIONARY UNITS REQUIRED

CRL Section 33413(b) requires that not less than 30 percent of any Agency-developed units ("30 percent Units") or 15 percent of privately developed units in the Project Areas ("15 percent Units") produced during the next five and 10 years be affordable to low and moderate income households. The CRL also requires that 50 percent of the 30 percent Units and 40 percent of the 15 percent Units be specifically limited and affordable to very low income households. These inclusionary housing requirements should be met during the next 10 years.

Based upon the forecast of housing construction presented earlier and the inventory of affordable housing projects completed to date, Table 4 presents the computation of the Agency's inclusionary housing requirement for the remaining five years of the current 10 year compliance period, as well as for the duration of the Redevelopment Plan. Table 4 also presents the inclusionary units produced during each of these periods and the Agency's surplus of or need for inclusionary units.

Calculation of Affordable Housing Production Requirements **Table 4**
Covina Redevelopment Agency

	Units Required		Units Produced		Surplus / (Needed)	
	Inclusionary	Very Low Unit	Inclusionary	Very Low Unit	Inclusionary	Very Low Unit
Plan Adoption Through December 1994	53.4	21.4	184.0	17.0	130.6	(4.4)
1st Ten Year Period						
January 1995 - December 2004 (Actual)	2.1	0.9	106.5	48.0	104.4	47.1
Cumulative Through December 2004	**55.5**	**22.3**	**290.5**	**65.0**	**235.0**	**42.7**
2nd Ten Year Period						
FY 2004-05 - 2008-09 (Actual)	9.0	3.6	6.0	0.0	(3.0)	(3.6)
FY 2009-10 - 2013-14 (Forecast)[1]	12.8	5.1	91.5	44.0	78.8	38.9
Cumulative Through FY 2013-14	**77.3**	**31.0**	**388.0**	**109.0**	**310.8**	**78.0**
Redevelopment Plan Duration						
FY 2014-15 - 2027-28 (Forecast)	98.3	39.3	0.0	0.0	(98.3)	(39.3)
Total Life of Redevelopment Plan	**175.5**	**70.3**	**388.0**	**109.0**	**212.5**	**38.7**

[1] The projects producing these units include Vintage Walk Phase 2, 200 W. Rowland, Heritage Project, 436 E. Cypress, and 135 E. Badillo.

Source: City of Covina

Past and Present Inclusionary Unit Need

The Agency has actively worked to produce the required number of inclusionary units over the last 15 years. As indicated in Table 4 above, the Agency will not need to implement additional affordable housing programs during this 10 year compliance plan period because it has met its requirements for very low, low, and moderate income households and currently has a surplus of 39.1 very low income units and 232.0 inclusionary units.

Next Five Years and Remainder of Redevelopment Plans Inclusionary Unit Need

As detailed in Table 4 above, the next five years of the 10 year compliance period (FY 2009-10 through 2013-14), the Agency has a surplus of restricted very low, low, and moderate income affordable housing units. The Agency anticipates to receive credit for the production of 91.5 very low, low, and moderate income units including 44.0 very low income units. The projections for the remaining life of the Redevelopment Plans (FY 2014-15 through 2027-28) identify a surplus of 212.5 restricted units and a surplus of 38.7 units restricted for very low income households. The Agency intends to continue to rehabilitate affordable housing units as tax increment is available for such purposes.

REPLACEMENT HOUSING PRODUCTION NEEDS

The CRL states that whenever housing units occupied by very low, low, or moderate income households are destroyed or removed as part of an Agency project, the Agency is responsible for ensuring that an equivalent number of replacement units are constructed or substantially rehabilitated within the community. These units must provide at least the same number of bedrooms destroyed, and 75 percent of the replacement units must be affordable to the same income categories or lower (i.e. very low, low, and moderate) as those removed for units destroyed or removed prior to January 1, 2002. The Agency receives a full credit for replacement units created inside or outside the Project Areas.

Inventory of Replacement Housing Units **Table 5**
Covina Redevelopment Agency

Location	Project Area	Units				Bedrooms			
		Total	Very Low Income	Low Income	Moderate Income	Total	Very Low Income	Low Income	Moderate Income
Units Removed Since 2004									
131 W. Orange Street[1]	2	4	2	1	1	4	2	1	1
Replacement Units[2]									
228-236 W. Center Street	Outside	2	1	1	0	4	2	2	0
REPLACEMENT CREDIT OR (NEED)		**0**				**0**			

[1] Units demolished on March 13, 2000.

[2] Pursuant to 33413(a) of the CRL, replacement units must be 75 percent of the same income category or lower for units destroyed or removed prior to January 1, 2002.

Souce: City of Covina

In 2000, the Agency participated in a redevelopment project that resulted in a loss of four one-bedroom units. Table 5 presents a summary of the affordable units removed and replaced. Of the four units demolished, two units were very low income, one unit was low income, and one was moderate income.

In FY 2008-09, the Agency replaced two units with two bedrooms each, for a total of four bedrooms. One unit is affordable to very low income, and the other unit is affordable to low income. The number of bedrooms replaced is the same, although the actual unit count is lower. CRL Section 33413(f) permits units destroyed or removed may be replaced with a fewer number of replacement units if (1) the total number of bedrooms in the replacement units exceeds the number of bedrooms in the removed units, and (2) the replacement units are affordable to the same income level as the removed units. The Agency has complied with the replacement housing requirements.

The Agency does not anticipate demolishing or removing any units containing very low, low, or moderate income households during the remaining five years of the 10 year planning period.

ESTIMATED HOUSING FUND RESOURCES AND PROJECTED EXPENDITURES

LOW AND MODERATE INCOME HOUSING FUND

One of the Agency's primary sources of revenues for housing program implementation is the annual 20 percent housing set-aside deposit. These deposits reside in the Agency's Low and Moderate Income Housing Fund (the "Housing Fund"). The CRL requires that not less 20 percent of all tax increment revenue allocated to the Agency must be used to increase, improve, and preserve the community's supply of housing available, at affordable housing cost, to persons and families of very low, low, and moderate incomes. Other sources of housing revenues include interest earnings, loan repayments, federal HOME and State HELP funds, and developer loan proceeds.

Table 6 presents staff's forecast of Housing Fund revenues and debt service for the remaining five years of the 10 year compliance period. Pursuant to the requirements of Section 33490 of the CRL, Table 6 identifies estimated amounts of available Housing Fund dollars expected to be deposited into the Housing Fund during the next five years.

Due to the State's effort to balance the FY 2009-10 State Budget, the State of California approved the budget relying on a $2.05 billion ERAF shift from redevelopment agencies over the next two years. The additional shift to ERAF (now called the Supplemental Educational Revenue Augmentation Fund, or "SERAF") is estimated to result in a payment of $2,537,634 in fiscal year 2009-10, and $522,454 in fiscal year 2010-11 from the Agency. Within the budget, there is a provision in which the Agency has the option to suspend the FY 2009-10 20 percent housing set-aside contribution in order to assist the ERAF shift in that year; however, the loan would need to be repaid by June 30, 2015. The loan could potentially delay many of the housing programs and projects anticipated over the next five years. If the Agency has to make the SERAF payments, the Agency will be suspending the 20 percent housing set-aside contribution and will be repaying the loan in June 2015. Since only $1,790,000 will be collected in Net Tax Increment Revenue for FY 2009-10, the remaining $747,634 required payment will be made from the Non-Housing Fund. SB 68 allows redevelopment agencies to borrow from its Housing Fund, not just its current year set-aside amount, in order to make its FY 2009-10 payment to SERAF. The same provisions would not apply to the payment due for FY 2010-11. The Agency may re-evaluate how it will address the payment of their SERAF obligation as a result of SB 68.

While the California Redevelopment Association ("CRA") believes this shift of tax increment from redevelopment falls under the same circumstances as the previous attempt and is challenging the take, the Agency potentially could lose up to $3 million to SERAF shifts over the next two years. These shifts of dollars from redevelopment will impact the Agency's ability to complete many of the projects both committed and anticipated over the next five-year period. In October 2009, the CRA filed a lawsuit on behalf of all redevelopment agencies asserting that the take from redevelopment agencies for non-redevelopment purposes is unconstitutional.

Projected Housing Fund Revenues and Expenditures - 2009-10 through 2013-14 **Table 6**
Covina Redevelopment Agency

	Projected 1 2009-10	2 2010-11	3 2011-12	4 2012-13	5 2013-14	Projected 5 Year TOTAL
Beginning Cash Balance[1]	**11,116,907**	**4,829,250**	**3,869,536**	**4,076,343**	**285,313**	
Revenues						
Net Tax Increment Revenues	1,812,543	1,812,543	1,812,543	1,812,543	1,812,543	**9,062,715**
Other Revenue	3,251	3,251	3,251	3,251	3,251	**16,255**
Interest Revenue	166,754	72,439	58,043	61,145	4,280	**362,660**
Total	**1,982,548**	**1,888,233**	**1,873,837**	**1,876,939**	**1,820,074**	**9,441,630**
Total Available Funds	**13,099,455**	**6,717,482**	**5,743,373**	**5,953,283**	**2,105,386**	
Operations and Debt Service Costs						
SERAF	1,790,000	522,454	-	-	-	**2,312,454**
Debt Service	393,737	395,274	390,716	390,804	390,420	**1,960,951**
Administration, Maintenance, Overhead	616,652	616,652	616,652	616,652	616,652	**3,083,260**
Professional Services	82,704	39,858	40,257	40,660	41,066	**244,545**
Total	**2,883,093**	**1,574,238**	**1,047,625**	**1,048,116**	**1,048,138**	**7,601,210**
Funds Available for Housing Projects	**10,216,362**	**5,143,244**	**4,695,748**	**4,905,167**	**1,057,248**	
Contribution to Housing / Projects						
McGill Street House	24,000	25,000	27,000	27,000	30,000	**133,000**
Wings Transitional Housing	14,000	20,000	20,000	20,000	20,000	**94,000**
Rental Subsidy Program	187,600	170,000	170,000	170,000	170,000	**867,600**
Rehabilitation and Preservation Programs	50,000	50,000	50,000	50,000	50,000	**250,000**
Neighborhood Preservation Program	250,000	275,000	302,500	332,750	366,025	**1,526,275**
135 E. Badillo Project	-	-	30,000	-	-	**30,000**
200 W. Rowland	4,742,000	-	-	-	-	**4,742,000**
Vintage Walk Phase 2	-	90,000	-	-	-	**90,000**
436 E. Cypress	100,000	-	-	-	-	**100,000**
Heritage Project	-	624,000	-	-	-	**624,000**
Operation of Acquired Property	19,512	19,708	19,905	20,104	20,305	**99,534**
New Housing Initiative	-	-	-	4,000,000	-	**4,000,000**
Total	**5,387,112**	**1,273,708**	**619,405**	**4,619,854**	**656,330**	**12,556,409**
Total Costs	**8,270,205**	**2,847,946**	**1,667,030**	**5,667,970**	**1,704,468**	**$ 20,157,619**
Ending Cash Balance	**4,829,250**	**3,869,536**	**4,076,343**	**285,313**	**400,918**	

[1] Beginning Balance includes bond proceeds.

Note: SERAF payments are projected and subject to change.
To meet the requirements of the State budget, a $3 million loan was made from the LMIHF for the SERAF payment and will be repaid by June 2015.

Source: City of Covina

TARGETING OF HOUSING FUND EXPENDITURES

As set forth by CRL 33334.4, each redevelopment agency shall expend, over the duration of the 10 Year Housing Compliance Plan, the moneys in the Housing Fund in proportion to the community need, both in terms of income categories and the number of family (versus senior) households assisted.

Income Categories Assisted

Pursuant to CRL Section 33334.4(a), Housing Funds must be expended for very low and low income households in at least the same proportion as established by the Regional Housing Need

Assessment ("RHNA") for very low and low income households. The number of units in each income category in the City's RHNA figures may be adjusted for units not assisted by the Agency that feature 45 or 55 year covenants.

According to the Southern California Association of Governments, the current RHNA figures for the City cover the time period of 2006 through 2014. Table 7 indicates a Citywide need of 336 very low income units, 211 low income units, and 226 moderate income units. Table 7 utilizes the housing unit need by income category to arrive at the proportional spending minimums. Based on these figures, the Agency's Housing Fund expenditures over the current 10 year compliance period must at a minimum allocate 43.5 percent to very low income projects and programs and 27.3 percent to low income projects and programs. The remaining 29.2 percent of Housing Fund expenditures may be allocated among very low, low, and moderate income projects and programs at the Agency's discretion.

Housing Fund Proportional Expenditure Allocation — **Table 7**
Covina Redevelopment Agency

Income Level	RHNA Allocation (Units)[1]	Targeting Requirement (% of Total)	First 5 Years 2004-05 to 2008-09 Actual Expenditure	%	Second 5 Years 2009-10 to 2013-14 Estimated Expenditure	%	10-Year Period 2004-05 to 2013-14 Estimated Expenditure	%
Very Low (minimum)	336	43.5%	$ 1,406,025.72	82.1%	$ 4,970,623.87	38%	$ 6,376,649.59	43.5%
Low (minimum)	211	27.3%	$ 112,736.72	6.6%	$ 3,891,647.39	30%	$ 4,004,384.12	27.3%
Moderate/Unrestricted	226	29.2%	$ 194,000.00	13.1%	$ 4,095,055.97	32%	$ 4,289,055.97	29.2%
Total	773		$ 1,712,762.44		$ 12,957,327.23		$ 14,670,089.67	

Age Category (Income Restricted)	CHAS Allocation (Households)[2]	Targeting Requirement (% of Total)	First 5 Years 2004-05 to 2008-09 Actual Expenditure	%	Second 5 Years 2009-10 to 2013-14 Estimated Expenditure	%	10-Year Period 2004-05 to 2013-14 Estimated Expenditure	%
Family (minimum)	3,753	74.0%	$ 920,318.64	99.6%	$ 9,357,089.26	72%	$ 10,277,407.90	74.0%
Senior Without Subsidies (maximum)	1,316	26.0%	$ 3,564.00	0.4%	$ 3,600,237.97	28%	$ 3,603,801.97	26.0%
Senior With Subsidies[3]		N/A	$ 788,879.80					N/A
Total (Without Subsidies)	5,069		$ 923,882.64		$ 12,957,327.23		$ 13,881,209.87	

[1] Percentage of housing fund expenditures based on City of Covina Regional Housing Needs Assessment 2006-2014 ("RHNA").

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

[3] Pursuant to 33334.28 of the CRL, senior households assisted under the Rental Subsidy program prior to January 1, 2002 are exempt from the proportionality requirement under 33334.4(b) of the CRL until January 1, 2012.

Source: SCAG, CHAS, City of Covina

Family and Senior Housing

Section 33334.4(b) of the CRL requires that Housing Fund expenditures for affordable senior housing also be in proportion to the community's low income population of that age, according to the most recent Census. As noted in Table 7 above, data for low income senior households is not readily available. The nearest metric for such data represents low income households with a member under the age of 62, which is available via the Comprehensive Housing Affordability Strategy ("CHAS"). According to this metric, not more than 15.9 percent of Housing Funds may be spent on senior housing projects.

Pursuant to section 33334.28 of the CRL, the Agency is exempt from Section 33334.4(b) until January 1, 2012, for expenditures on senior rental subsidies that have been continuously provided by the Agency to seniors prior to January 1, 2002.

Progress of Targeting Expenditures

CRL Section 33490(a)(C)(iv) requires agencies to report the amounts of Housing Fund dollars utilized to assist affordable units over the previous five year period. As noted previously, the Agency must spend at least 43.5 percent of Housing Funds on very low income projects and programs and at least 27.3 percent of Housing Funds on low income projects and programs. Further, during the present 10 year compliance period, the Agency may spend a maximum of 26.0 percent of Housing Funds on senior projects and programs. Table 7 on the previous page presents a summary of the Agency's expenditures thus far on projects and programs for each of these groups.

As Table 7 demonstrates, during the first five years of the current 10 year compliance period, the Agency has exceeded proportional spending targets for very low income projects and programs, and under-spent on low income projects and programs.

Table 7 presents a summary of the Agency's projected available dollar resources for the 10 year compliance period. Table 7 then presents estimates of 10 year proportional expenditures for income category and age, subtracts expenditures for the first five years, and provides an expenditure target for the remaining five years. As previously mentioned, the Agency will need to reduce expenditures for very low income projects and programs and increase expenditures for low income projects and programs.

OTHER FUNDING SOURCES FOR HOUSING PROGRAMS

All potential sources of funding will be actively pursued by the Agency in its efforts to implement the City's Housing Element and Comprehensive Housing Program. Key to this effort continues to be the establishment of relationships between public entities (especially the City) and the private sector. Covina's housing program recognizes the market will drive certain aspects of producing affordable housing. Market factors have and will continue to impact the amount of housing the Agency can assist given current revenues. Therefore, efforts to cooperate with other public entities and especially with the private sector continue to be a priority. The goal is to produce, improve, and protect the City's housing stock utilizing the Agency funds to leverage other funding sources.

Other City/Agency Revenues

Existing Agency funding requirements for non-housing redevelopment funds include outstanding bonded debt obligations, pass through payments to taxing agencies, required programs/projects, rent, and administrative costs. Because of these heavy funding commitments, no revenue from the Agency's Redevelopment (non-housing) Fund will be available to assist with the implementation of affordable housing programs.

Federal/State Revenue Sources

<u>Federal Programs</u>. The City of Covina as a non-entitlement city participates with the Los Angeles County Urban County program, administered by the Los Angeles County Community Development Commission (CDC) to receive federal CDBG funds. HOME funds are available through the CDC depending on availability. Allocations of these entitlement funds are based on a locality's population and on a number of other socio-economic indices, including overcrowded housing, poverty levels, growth lag, and age of the housing stock. The City of Covina uses these federal funds to leverage additional public and private investment to fund activities that benefit very low to moderate income households and sustain services to the homeless and other special needs populations.

Community Development Block Grant. The Community Development Block Grant (CDBG) Program was established under the Housing and Community Development Act of 1974. Use of CDBG funds must primarily benefit low and moderate income households. The City uses CDBG program funds primarily for improvements under the Americans with Disability Act, infrastructure in qualifying areas, job creation programs for qualifying businesses, and supportive services City-wide for qualifying low income persons.

State Programs. In conjunction with implementation of the City's comprehensive housing program, the Agency may utilize available affordable housing resources administered by the State Department of Housing and Community Development. Potential State housing programs that could be utilized include:

- *California Housing Finance Agency (CHFA) Multifamily Housing Rental Program*: Provides below market rate financing through the issuance of tax-exempt bonds to buildings and developers of multifamily and elderly rental housing.
- *CHFA Home Mortgage Purchase Program*: CHFA sells tax-exempt bonds to make below market interest rate loans to first time homebuyers. The program operates through participating lenders who originate loans to the CHFA purchase.
- *Multifamily Affordable Housing Program (MAP)*: Provides permanent financing monies for the acquisition, rehabilitation, preservation, and new construction of affordable rental housing.

Other Financial Resources

Affordable Housing Programs through the County of Los Angeles: As a partner with the Los Angeles County Urban County, the County programs are available to those in the City of Covina. These programs include:

- The Southern California Home Financing Authority (SCHFA): Joint powers authority formed in June 1988 to issue tax-exempt mortgage revenue bonds for first-time homebuyers that meet low and moderate income qualifications. As part of the 1986 Tax Reform Act, units with whose rent limited to 60 percent of median income and below are eligible to receive financial assistance under the tax credit program
- Home Ownership Programs (HOP): HOP is financed with HOME funds provided through the U.S. Department of Housing and Urban Development ("HUD") and is subject to the applicable federal regulations. HOP has been designed to meet the needs of low income families with the necessary down payment assistance. This program will provide a 2nd Trust Deed loan at 0 percent interest with all payments deferred until sale, transfer, refinancing, or full repayment of the first mortgage.
- Mortgage Credit Certificate (MCC): The MCC Program offers the first-time homebuyer a federal income tax credit. This credit reduces the amount of federal taxes the holder of the certificate would pay. It can also help the first-time homebuyer qualify for a loan by allowing a lender to reduce the housing expense ratio by the amount of tax savings. The qualified homebuyer is awarded a tax credit of up to 15 percent and the remaining 85 percent is taken as a deduction from the income in the usual manner.

Tax Exempt Multifamily Mortgage Revenue Bonds: Use of the Mortgage Revenue Bonds is possible if one of the following criteria is met: at least 20 percent of the completed units are rented to households at or below 50 percent of the area median income; or at least 40 percent of the units are rented to households at or below 60 percent of the area median income. Rents on tax credit units cannot exceed 30 percent of the maximum income limits based upon household size.

Agency Financing. The Agency has the legal power to issue taxable or tax exempt bonds and notes for the development (including rehabilitation) of both single family and multifamily housing. Such bonds would be issued under established federal and state requirements.

Affordable Housing Program (AHP) Grant: AHP provides grants through Federal Reserve banks for the preservation and creation of affordable housing opportunities for families of very low and low income.

PROPOSED IMPLEMENTATION INITIATIVES

Although the Agency anticipates exceeding its housing production needs for the planning period, additional housing projects will be undertaken, in order to meet long-term affordable housing needs for the Project Areas and the community as a whole. The following Table 8 describes these projects and programs.

Proposed Housing Projects and Programs - FY 2009-10 through 2013-14 **Table 8**

Covina Redevelopment Agency

Project Name	Location	Description	Anticipated Completion	Anticipated Expenditure	Source	Redevelopment Goal Achieved
McGill Street House	PA 1	Covina Redevelopment Agency has acquired the property to serve as a transitional housing facility. The transitional housing program provides homeless families with a temporary home while helping them get back on their feet with the assistance of case management providers. A qualified non-profit organization assists in the operation of the program.	2009-10 - On-going	$133,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
Wings Transitional Housing	PA 1	The Agency provides an annual grant to the YWCA to provide two transitional housing units for victims of domestic abuse and their children. The assisted housing will be available for a minimum of 60 days.	2009-10 - On-going	$94,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
Rental Subsidy Program	PA 1	The Agency continues to provide housing subsidies to qualifying households, mostly elderly persons, who are currently on the housing subsidy program. The program provides a rental subsidy, requiring program participants to contribute 30 percent of their income, adjusted for qualifying expenses, toward the rent. The Agency will not add new participants in the program, and the exemption will continue until 2012.	2009-10 - On-going	$317,600	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
Rehabilitation and Preservation Programs	PA 1	These Programs are the Agency's method of funding residential repair and improvement activities. The intent, by making financial assistance available to qualifying low and moderate income households, is to help maintain, protect, and preserve the community's existing affordable housing stock.	2009-10 - On-going	$250,000	Housing Set Aside Fund	Eliminates blighted residential properties and creates decent, safe, and sanitary affordable housing.
Neighborhood Preservation Program	PA 1	This Program provides for integration of various Agency activities in a coordinated approach to addressing neighborhood deterioration by responding to complaints on housing code violations. In addition to responding to general code violations, abandoned structures will be boarded or cleaned up to provide a safe environment for surrounding residents. The goal of the Program is to identify and correct substandard housing and blight on a target-neighborhood basis.	2009-10 - On-going	$1,526,275	Housing Set Aside Fund	Eliminates blighted residential properties.
200 W. Rowland	PA 1	The apartment units at 200 West Rowland Street house many Section 8 recipients, but the units are not covenanted for affordable housing. The new owners of the property are interested in renovating the property and placing covenants on it to preserve affordability. The Agency entered into an Exclusive Right to Negotiate with the owners to preserve affordability on June 17, 2008. In June 2009, the Agency Board approved a loan agreement for the project.	2009-10 - 2010-11	$4,742,000	Housing Set Aside Fund 2004 Bond Funds ($2,000,000)	Creates decent, safe, and affordable housing.

Proposed Housing Projects and Programs - FY 2009-10 through 2013-14 **Table 8**

Covina Redevelopment Agency

Project Name	Location	Description	Anticipated Completion	Anticipated Expenditure	Source	Redevelopment Goal Achieved
Vintage Walk Phase 2	PA 2	The Olson Company proposes to construct a 30-unit residential development with up to 10 percent of the units affordable to moderate incomes.	2009-10 - 2010-11	$90,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
135 E. Badillo	PA 2	A mixed-use project is planned for the site, with one unit of affordable for-sale housing to be included.	2011-12	$30,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
Heritage Project	PA 2	The Olson Company proposes to build a mixed-use project of retail and residential south of the existing Civic Center Park, to be bounded by Citrus Avenue on the west, Italia Street on the south and School Street on the north. The residential component will include 48 units with 8 of the units affordable to Moderate income households.	2009-10 - 2010-11	$624,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
Rental Subsidy Program	PA 2	The Agency continues to provide housing subsidies to qualifying households, mostly elderly persons, who are currently on the housing subsidy program. The program provides a rental subsidy, requiring program participants to contribute 30 percent of their income, adjusted for qualifying expenses, toward the rent. The Agency will not add new participants in the program, and the exemption will continue until 2012.	2009-10 - On-going	$550,000	Housing Set Aside Fund	Creates decent, safe, and affordable housing.
New Housing Intiatives	PA 2	New housing projects will be initiated which will remove blight and increase and improve the supply of affordable housing, Citywide.	2009-10 - On-going	$4,000,000	Housing Bond Funds	Creates decent, safe, and affordable housing.
436 E. Cypress	Outside	The Agency owns the property at 436 East Cypress Street. Staff will work with nonprofits to determine who will build the project. This project also helps the City deal with an on-going code enforcement issue.	2009-10 - 2010-11	$100,000	Housing Bond Funds	Eliminates blighted residential properties and creates decent, safe, and sanitary affordable housing.
Total Preliminary Cost Estimate				**$12,456,875**		

Covina Redevelopment Agency
125 East College Street
Covina, CA 91723
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Prepared By: