Southeast Coastal Redevelopment Project

# Report to the City Council

April 8, 2002

Redevelopment Agency of the City of Huntington Beach
2000 Main Street, 5th Floor
Huntington Beach, California 92648

**Rosenow Spevacek Group, Inc.**

217 North Main Street, Suite 300
Santa Ana, California 92701-4822
Phone: (714) 541-4585
Fax: (714) 836-1748
E-Mail: info@webrsg.com

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# Introduction

The Redevelopment Agency of the City of Huntington Beach ("Agency") has prepared a draft Redevelopment Plan ("Plan") for the proposed Southeast Coastal Redevelopment Project ("Project") to upgrade and revitalize a 172-acre area in southeast Huntington Beach. The proposed Southeast Coastal Redevelopment Project Area ("Project Area") is generally located north of Pacific Coast Highway, south of Hamilton Avenue, east of Newland Street, and west of Magnolia Street, and includes the AES Power Generating Facility, the Ascon/NESI landfill site, a fuel oil storage facility (tank farm), and other industrial as well as open space uses. If adopted by the City of Huntington Beach City Council ("City Council"), the Plan would permit the Agency to undertake certain redevelopment actions over a 30-year period.

This Report to the City Council ("Report") has been prepared by the Agency in accordance with Section 33000 et seq. of the Health and Safety Code of the State of California ("Redevelopment Law"). Consistent with Section 33352 of Redevelopment Law, this Report describes the needs for and implications of the proposed Plan. Its contents are divided into the following sections:

SECTION A. The Reasons for Selection of the Project Area, Including a Description of Proposed Projects and How Such Projects Will Improve or Alleviate Blight.

SECTION B. A Description of the Physical and Economic Conditions Existing in the Project Area.

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SOUTHEAST COASTAL REDEVELOPMENT PROJECT

**Site Vicinity Map**

## Plan Adoption Process

This Report is one of several documents Redevelopment Law requires the Agency to prepare in the course of the Plan adoption process, and is intended to aid the general understanding of the proposed Plan. Upon the completion of a final proposed Plan, the City Council and Agency will host a noticed joint public hearing to receive additional input on the proposed Plan. In the meantime, Agency staff will continue the public dialogue with the community and affected taxing agencies.

Upcoming meetings and actions regarding the proposed Plan include the following:

| DATE | ACTION | PARTIES |
|---|---|---|
| April 15, 2002 | Agency considers transmitting its Report to City Council | Redevelopment Agency |
| April 16, 2002 | City Council/RDA Public Hearing Notices Published/Mailed to Project Area residents, property owners, business owners, and others. | Staff |
| April 29, 2002 | Fourth Community Meeting on Draft Redevelopment Plan, EIR and Report to the City Council (Edison Community Center, 7:00 PM) | Council Committee |
| May 20, 2002 | JOINT PUBLIC HEARING – Hear testimony regarding the EIR and Draft Redevelopment Plan | RDA/Council |
| June 3, 2002 | Certify Final Environmental Impact Report | Redevelopment Agency |
| June 3, 2002 | Consider Responses to Written Objections; Consider Approval of Final Owner Participation Rules, Conduct First Reading of Adopting Ordinance | City Council |
| June 17, 2002 | Conduct Second Reading of Adopting Ordinance | City Council |
| Dec. 2003 | First Tax Increment Received | |

Section

A

# The Reasons for Selection of the Project Area, Including a Description of Proposed Projects and How Such Projects Will Improve or Alleviate Blight

The Agency is proposing the Project Area primarily to address two significant blights on the community: 1) the lingering environmental impacts of the closed Ascon/NESI landfill, and 2) achieving the eventual replacement of the C generating facility with a lower scale, contemporary, and more efficient power plant, or another use if and when the plant is no longer needed. With redevelopment tools for the Project Area, the Agency is seeking to create financial mechanisms that will provide more funding that can be pledged specifically to these and other redevelopment objectives, resulting in an overall enhancement of the physical, economic, and environmental quality and character of the Project Area and surrounding areas.

Over the past several years, the City of Huntington Beach ("City") has been actively pursuing the remediation and reuse of the contaminated Ascon/NESI landfill site, located at the southwest corner of Magnolia Street and Hamilton Avenue. Between 1938 and 1984, the 38-acre Ascon/NESI landfill was an active dumpsite. In the early years of operation, much of the toxic waste came from oil drilling operations, including drilling muds, wastewater brines, and other drilling wastes. According to the Department of Toxic Substances Control ("DTSC"), toxic wastes later included chromic acid, sulfuric acid, aluminum slag, fuel oils, and styrene.

Since the Landfill closed, two developers have gone bankrupt (Ascon Properties, Inc. in 1989 and NESI Investment Group in 1993) trying to remediate the site, which could cost at least $35 million. According to the DTSC and the current property owner (Signal Mortgage Company), not all of the parties responsible for the contamination are willing or capable of paying for the cleanup costs. Six of the responsible parties have not agreed to participate in a cleanup solution orchestrated by DTSC; development of the site without full recovery of the cleanup costs could render the site undevelopable. Section B of this Report contains a detailed analysis of the development feasibility without recovery of the cleanup costs. With redevelopment, the Agency could facilitate the timely removal and reuse of the Ascon/NESI landfill site.

The City has also been seeking to reduce the environmental and health impacts of the AES generating facility, which despite current retooling of two of the burner units, is inefficient and generates as much as twice the amount of air pollutants as modern facilities of the same size according to City staff. However, AES (owner and operator of the power plant) cannot afford to invest in a new facility at this time after having invested approximately $150 million in interim improvements necessary to expand capacity to meet the State's energy crisis of the past summer. State energy policy also prevents AES from demolishing a peaker unit, the most inefficient and seldom used generator on site. According to Bill Workman, Assistant City Administrator, a visible yellow plume is released as the peaker unit is operating.

Due to the recent energy crisis and Air Quality Management District (AQMD) pollution credits from other industrial operators, the AES facility continues to remain operational. Over time, though, construction of new and more efficient power plants and tightening of the emission credit supply through the AQMD's efforts will mean older plants like the AES facility will need to be demolished and rebuilt to remain viable. However, with the recent investment of $150 million and the uncertain future of the energy market, AES cannot commit to a specific timeframe to replace the existing facility.

The lingering presence of the Ascon/NESI landfill and the aging AES generating facility are believed to be factors why property values in the greater southeast Huntington Beach neighborhoods are lower than other coastal locations in the City. RSG's analysis of sale prices of single-family residences for the year 2001 revealed that the properties closer to the AES facility and Ascon/NESI landfill had considerably depreciated property values as compared to other properties within a half-mile of the coastline. On average, the median home price of single-family homes nearest the Project Area is $395,000, which is 22.5% less than the median home price of single-family homes elsewhere along the coast in Huntington Beach.

Due to the inability of property owners to independently address physical, economic, and environmental conditions in this area, the Agency is proposing the Plan as an aid to revitalizing the Project Area and the greater southeast Huntington Beach area. The draft Plan contains a series of redevelopment goals that address the City's long-term objectives for the AES generating facility and the Ascon/NESI landfill, as well as other improvements to change the Project Area's detrimental affect on the southeast area to a more beneficial one.

The following goals are proposed in the draft Plan:

- To assist with screening, design, or environmental improvements to mitigate impacts on adjoining neighborhoods and environmentally sensitive areas associated with modernization and reconstruction of the AES power generating plant;
- To advance the cleanup of environmentally contaminated properties;
- To facilitate the reuse of other Project Area properties including the Edison and tank farm properties, by monitoring and assisting hazardous material

cleanup activities and ensuring that any ultimate development is compatible with surrounding neighborhoods and properties;

- To facilitate the protection and restoration of environmentally sensitive wetlands in connection with proposed redevelopment activities;
- To permit the Agency to assist with park and trail improvements if any Project Area properties are designated for such uses;
- Undertake public improvements in, and of benefit to, the Project Area, such as streets, flood control facilities, and other public facilities;
- To ensure that Project Area revenues are pledged to projects that directly benefit the area, and that the Project Area remains separate and distinct from the Agency's existing Huntington Beach Redevelopment Project Area;
- To restrict the use of eminent domain to any non-fee ownership interests such as oil and gas leases;
- Eliminating blight and environmental deficiencies in the Project Area;
- Assembling of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area;
- Replanning, redesigning, and developing properties, which are stagnant or improperly utilized; and
- Increasing, improving, and preserving the community's supply of housing affordable to very low, low, and moderate income households.

## Location and Socioeconomic Profile

The Project Area is located within the boundaries of the City of Huntington Beach, Orange County, California. The City is located in west Orange County, and is the third largest city in the County, with a population of 189,594 persons, according to the 2000 Census. The City incorporates a total of 27.7 square miles (approximately 17,700 acres) within its boundaries, and is adjoined by the City of Seal Beach to the northwest, the City of Westminster to the north, the City of Fountain Valley to the northeast, the Cities of Costa Mesa and Newport Beach to the east, and the Pacific Ocean to the south and west.

The proposed Project Area is located in the southeastern part of the City, near the Pacific Ocean and southeast of downtown. The Project Area is generally bordered by Pacific Coast Highway, Newland Street, Hamilton Avenue and Magnolia Street, and is approximately 172 acres in size, or 1.0% of the entire City. In addition to the AES generating facility and the Ascon/NESI landfill, the Project Area includes the Edison Pipeline and Terminal Company fuel oil storage facility on Magnolia Avenue, another fuel storage facility immediately north of the

AES facility, smaller industrial uses along Edison Way, the City's beach maintenance facility currently under construction, and open space and flood control uses. No residential uses exist in the Project Area.

## A Determination as to Whether the Project Area is Predominately Urbanized

For all redevelopment project areas established or areas added to project areas after January 1, 1994, Section 33320.1 of Redevelopment Law requires these areas to be "predominately urbanized." This means that no less than 80 percent of land within the project area:

**1)** Has been or is developed for urban uses;

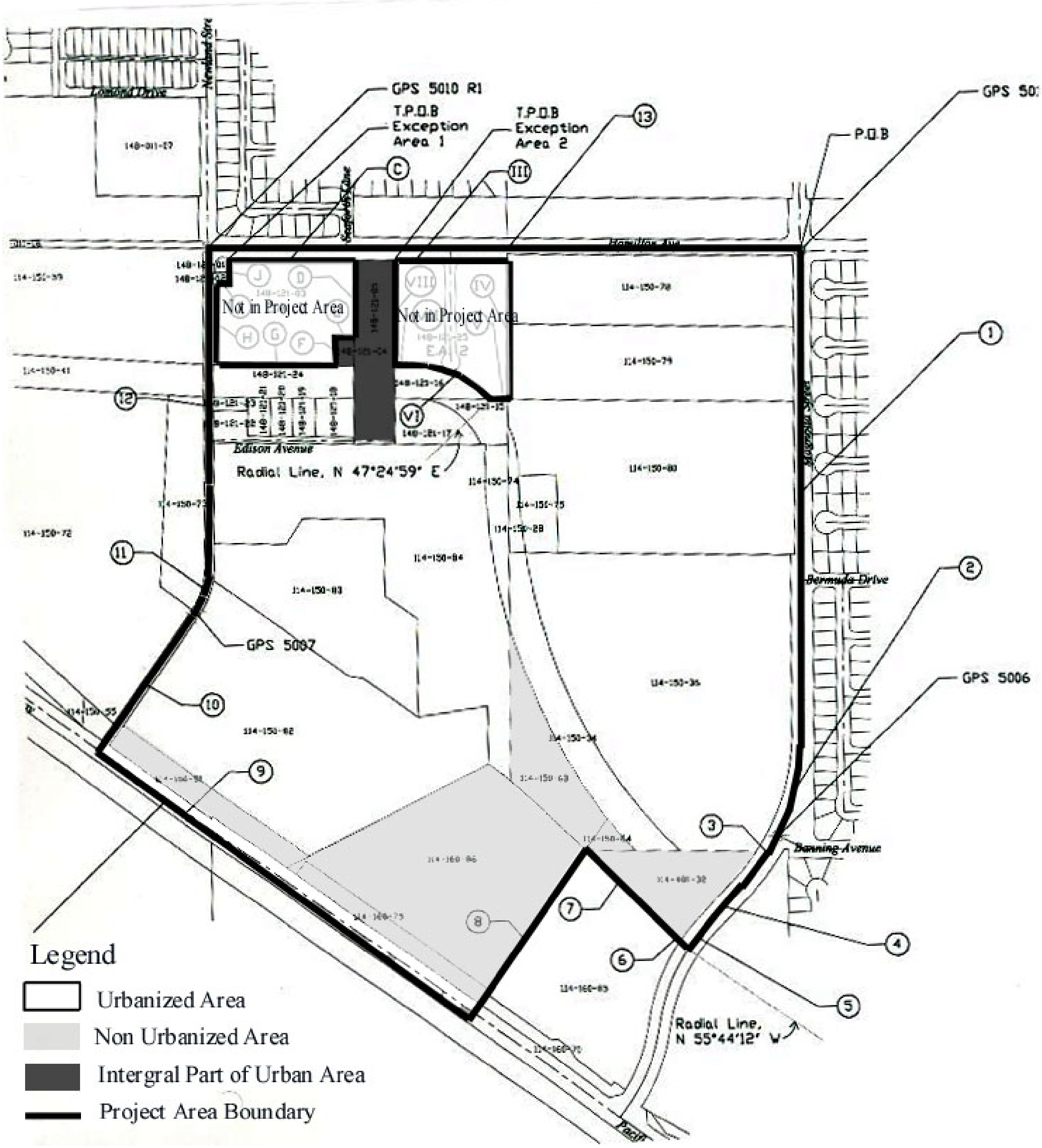
**2)** Is characterized by the existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership, or;

**3)** Is an integral part of one or more areas developed for urban uses which are surrounded or substantially surrounded by parcels which have been or are developed for urban uses.

The Project Area encompasses an area of approximately 172 acres. A total of 147.56 acres, or 85.56% of the Project Area, is urbanized. Urbanized areas include 144.81 acres (83.97%) that either have been or are currently developed and 2.75 acres (1.59%) that are integral of an urban area since they are immediately adjoined by developed parcels on at least three sides. No part of the Project Area is characterized with irregular or inadequately sized parcels, nor in agricultural use.

Exhibit A-1 depicts the location of urbanized and nonurbanized parcels in the Project Area.

**Exhibit A-1 – Urbanization Map**




## A Description of the Projects Proposed by the Agency

The Plan includes a list of infrastructure and public facilities projects, which could be implemented by the Agency. Additionally, the Agency will also employ resources to fund a variety of affordable housing, commercial rehabilitation, and economic development activities. A preliminary list of the redevelopment projects and programs anticipated by the Agency is included on the next page of this Section.

Fund allocation to public infrastructure and facility improvement programs could be used to supplement City Capital Improvement Program funding and improve street, storm, drain, and sewer infrastructure within the Project Area. Furthermore, fund allocation for commercial rehabilitation and economic development incentives could result in high and best uses for Project Area properties and businesses.

The Agency will allocate 20 percent of the project generated tax increment revenue to those activities that increase and improve the community's supply of affordable housing. Redevelopment Law allows the Agency to expend these funds both inside and outside the Project Area.

**Housing Programs**

Increase and improve the community's supply of affordable housing for very low, low, and moderate income households. Projects include, but are not limited to, the following:

- citywide Affordable Programs: The Agency will invest housing set-aside funds into the creation or rehabilitation of housing for low and moderate income households throughout the City.

**Infrastructure Programs**

Improve pedestrian, bicycle, and vehicular traffic flows, upgrade utilities and drainage systems, enhance public safety, and promote recreational opportunities in and around the Project Area. Projects include, but are not limited to, the following:

- Storm Drain Projects: Upsize existing storm drains, install new storm drains, and install new pumping stations to facilitate future development and improve inadequate facilities.

- Flood Control Projects: Complete channel lining of the Orange County Flood Control Channel and other flood management programs or projects as warranted.

- Street Improvements: Widen Newland Street, Hamilton Avenue, and Magnolia Street and other streets as needed and install and or upgrade the traffic signalization systems as necessary.

- Water System Projects: Install new water mains along Edison Avenue and Newland Street, as well as a new water reservoir and pump station in the Project Area.

- Streetscape Projects: Continue implementation of median and other streetscape projects along Pacific Coast Highway and other arterials serving

Project Area.

- Recreational/Open Space Projects: Protect environmentally sensitive areas, restore wetlands, and work with State, County, and nonprofit agencies on recreational, beach paths, and other improvements to Project Area open spaces.

**Public Facility Programs**

Develop and renovate community facilities that meet the needs of both the Project Area and City when there has been a finding of benefit to the Project Area, such as:

- Edison Community Center
- Edison Park
- Edison High School and neighborhood schools

**Commercial Rehabilitation and Economic Development Programs**

Implement projects that result in the redevelopment of obsolete structures and cleanup contaminated properties. Projects include, but are not limited to, the following:

- Ascon/NESI landfill Redevelopment: Work with property owners of Ascon/NESI landfill to ensure timely and effective remediation and reuse of the Ascon/NESI landfill.
- Transition of Existing Obsolete Uses: As existing industrial uses in Project Area become obsolete and recycle, ensure that future development is more compatible with surrounding neighborhoods and other environmentally sensitive areas.
- AES generating facility: Assist with screening, design, or environmental improvements to mitigate impacts on adjoining neighborhoods and environmentally sensitive areas associated with modernization and reconstruction of the AES power generating plant

## A Description of How the Proposed Projects Will Improve and Alleviate Blight

Implementation of the Plan will allow the Agency to undertake a comprehensive redevelopment program. The authorities and provision of the Plan have been developed to permit the Agency to enact redevelopment projects that target blighting conditions in the Project Area. The Agency will work with property and business owners to design and implement specific redevelopment initiatives.

- <u>Housing Programs.</u> Housing fund expenditures will assist the City in implementing the goals and programs set forth in the Agency's Affordable Housing Compliance Plan for the Project Area and Housing Element of the City's General Plan. More specifically, the Agency will employ low and moderate income housing funds into its existing programs to rehabilitate deteriorating housing stock, increase homeownership levels, and/or develop infill lots throughout the City.

- <u>Infrastructure and Public Facilities Programs.</u> Traffic and circulation improvements include those that have been identified in various City commissioned studies. Plan implementation will necessitate additional studies to identify additional infrastructure improvement needs. Among the projects anticipated to occur in the Project Area include implementation of street lighting and other safety improvements along roadways serving the Project Area. Among these improvements are widening of Magnolia Street to facilitate the redevelopment of Project Area properties. Recreational and open space improvements will capitalize on the Project Area's unique coastal location, protect and restore sensitive wetlands in the area, and upgrade the overall environmental quality of the area. These and other public improvements address substandard infrastructure conditions in the Project Area, while expanding accessibility and utilization of recreational facilities serving the Project Area.

- <u>Community Rehabilitation and Economic Development Programs.</u> These activities are designed to address blighting conditions by assisting business and property owners with rehabilitation, expansion, or acquisition activities. The Agency proposes to provide funds to assist in land acquisition and on- and off-site infrastructure improvements. Among these projects are the ultimate recycling of the Ascon/NESI landfill to return the property to a safe and useful condition, and redevelopment of AES facility to a cleaner and lower profile plant that is more compatible with surrounding sensitive uses.

Section

B

# A Description of the Physical and Economic Conditions Existing in the Project Area

The Project Area contains both physical and economic blighting conditions that necessitate the creation of the Project. Conditions in the Project Area include:

1) **Unsafe/Unhealthy Buildings:** Though permitted by the power emergency, excessively high emissions at the AES generating facility pose health risks to surrounding residents and nearby habitat.

2) **Factors Hindering the Economically Viable Use of Lots**: Due to the recent energy crisis, AES was unable to proceed with plans to demolish and reconstruct a more efficient power generating facility, and the existing 44 year old plant will remain in operation for at least additional 10 years. In addition, the Ascon/NESI landfill cannot be fully redeveloped by the private sector due to excessive cleanup costs.

3) **Incompatible Uses**: The Ascon/NESI landfill and AES power plant have a negative effect on residential resale values in the immediate area.

4) **Impaired Investments:** Due to the presence of a dump in the area for 46 years, the former Ascon/NESI landfill is a contaminated Superfund site; two developers have gone bankrupt trying to redevelop the site.

This Section of the Report describes the preliminary findings of blight in the Project Area.

## Legal Context of Blight

Sections 33030 through 33039 of Redevelopment Law describe conditions that constitute blight in a redevelopment project area. A blighted area is one that necessitates the creation of a redevelopment project area, because the combination of conditions in an area constitute a burden on the community, and cannot be alleviated by private enterprise, governmental action, or both. A project area must have both physical and economic blighting conditions, as defined in Sections 33031(a) and (b), respectively:

*Physical blight* includes the following:

1) Buildings in which it is unsafe or unhealthy for persons to live or work that can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.

2) Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots that can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.

3) Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of a project area.

4) The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

*Economic blight* includes the following:

1) Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes.

2) Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.

3) A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

4) Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, that has led to problems of public safety and welfare.

5) A high crime rate that constitutes a serious threat to the public safety and welfare.

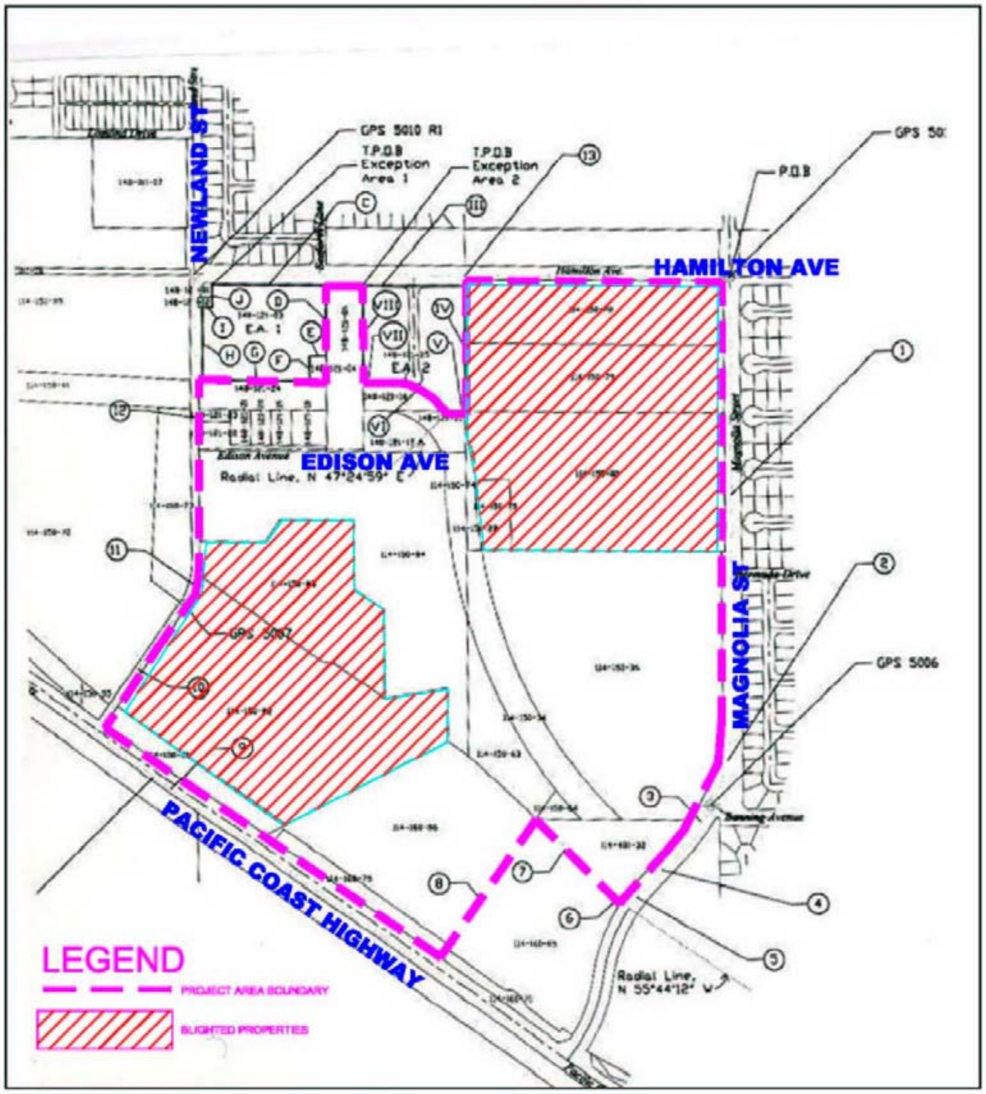
Section 33030(c) of the Redevelopment Law also states that a blighted area may be one that contains inadequate public improvements, facilities, or utilities when other blighting conditions are present.

## Blighting Conditions in the Project Area

This section presents a detailed analysis of blighting conditions in the Project Area. The analysis is based upon a series of field inspections of the Project Area, discussions with City officials, property owners, business owners, review of public documents filed by State Department of Toxic Substances Control (DTSC), AES and the California Energy Commission, compilation of property sales in the

Huntington Beach coastal area from the Metroscan property information system, construction cost estimates from Marshall and Swift valuation service and City Public Works Department.

The map below depicts the location of blight in the Project Area. Photographs of the Project Area, including depictions of the specific blighting conditions, are included at the end of this Section.



### AES generating facility

The AES generating facility on Newland Street was originally constructed in 1958, and is a 450 megawatt natural gas-fired power plant. Two of the five turbine units (Units 3 and 4) were retired by the former owner (Southern California Edison) in 1994. According to Bill Workman, Assistant City Administrator who has been closely monitoring the AES facility, the 44-year-old power plant is obsolete, involving twice as much fuel and toxic emissions than a modern plant capable of generating the same amount of energy.

When AES purchased the facility from Edison in 1999, their intent was to demolish the entire plant and construct a new, lower profile plant that would generate a comparable amount of power with cleaner, more efficient technology. However, the energy crisis of the past year forced AES to scrap these plans, and instead expedite the retooling and reactivation of Units 3 and 4. Though this effort also involved the installation of Selective Catalytic Reduction (SCR) equipment for emissions control, emissions could have been reduced by 25% to 50% if the plant were rebuilt with entirely new rather than retrofitted technology according to Mr. Workman.

The improvements to the AES facility are considered by AES and the State Energy Agency to be temporary, and are not expected to either make the plant economically competitive or sufficiently more efficient and cleaner over the long term. In its response to AES's petition for reconsideration of the five year operating permit filed last summer, State Energy Commission staff in a report dated July 2001, strongly recommended that the Commission maintain a five year operating life for Units 3 and 4, citing concerns for the environmental impacts on the community. According to the staff Response (Docket No. 00-AFC-13), the granting of the operating certificate was necessary to meet demand during the energy crisis, though many "countervailing costs" mitigated this benefit. The following is an exerpt from the staff Response that describe these impacts:

> We do not know the extent of the plant's contribution to the transport of bacteria to the beach, which can result in beach closures and loss of recreational opportunities to beach visitors and commercial opportunities to local merchants. Nor do we know that if the contribution can be successfully mitigated. In addition, although offset on a regional basis, local air pollutant concentrations will increase when the retooled generators are brought on line. And at a time at which the residents of the area can enjoy the reduced visual profile of a modern combined cycle plant which combusts our finite fuel resources more efficiently, is delayed.
>
> In five year's time, if not sooner, the generating capacity from these less efficient generating units may no longer be necessary. Newer, cleaner, more efficient plants are expected to be constructed and operating to increase the State's reserve margin. Conservation measures are also expected to reduce demand. At that point, Units 3 and 4 become costs without the benefit to California unless they are replaced with modern, more efficient, power plants.

There are serious environmental impacts as a result of the higher releases of nitrous oxides (NOx) into the air nearby the Plant. An article in Oil and Gas Journal concluded that NOx emissions can cause respiratory illnesses, lung damage, acid rain (that can damage trees and water resources) and ground-level ozone. In 1999, the AES plant was ranked by Environmental Defense as the highest source of NOx emissions in Orange County.

In addition to NOx released from the Plant, other harmful emissions cited by the State Energy Commission's staff report were Volatile Organic Compounds (VOC), carbon monoxide (CO), ozone (O3) and particulate matter less than 10 microns in diameter (PM-10). The health impacts associated with these emissions cannot be overstated. According to an article from the South Coast Air Quality Management District (SQAMD), PM-10 emissions are "…of primary concern to health agencies today. Not only does it penetrate deeper into the respiratory system and remain longer than larger particles, but PM-10 also contain large quantities of organic materials that may have significant long-term health effects". Among the specific health effects cited by SQAMD are PM-10 pollutants that react directly with the respiratory system and retard clearance of other particles in the lungs.

With a newer plant, local air quality would be improved by as much as 50%. The plant is adjacent to environmentally sensitive uses that can be affected by their proximity to these emissions, including coastal open spaces, residential neighborhoods, public parks, and a high school.

In addition to Units 3 and 4, the unit with the highest levels of emissions is a peaker unit (Unit 5), that the Energy Commission is requiring that AES retain due to California's energy crisis. The reason for the large impact, according to the State Energy Commission, is due to "…the old turbine technology of the gas turbine engines which results in exceedingly high NOx emissions and the relatively short stack heights of the two exhaust stacks (on Unit 5). The high emissions along with the short stack heights coupled with the steady-state winds can produce a downwash effect, bringing emissions plumes to the ground…(resulting) in high short term impacts." According to Bill Workman, Assistant City Administrator, though only used when energy supply levels are low, the peaker unit exhausts a visible yellow plume when in operation.

According to the State Energy Commission, operation of Unit 5 itself can cause a violation of the State 1-hour nitrous dioxide ambient air quality standard. Unit 5 NOx emission rates are nearly 300 times greater than emissions from any other turbine at the AES facility. Energy Commission staff also reports that over 99% of the PM-10 impacts come from Unit 5; the PM-10 impacts from the operations of all five units would cause a further exacerbation of violations of the state and federal PM-10 standards.

In their April 2001 decision on AES's Application for Certification of the retooling of Units 3 and 4, the Energy Commission reported that other energy developers are currently proposing to replace their vintage coastal boiler-type power plant with new combustion turbine combined cycle units. These modern facilities, such as Duke Energy's Morro Bay Project and Dynergy's El Segundo Redevelopment Project, use state of the art emission controls, consume about one-third less natural gas, and return less-heated cooling water to the ocean environment. The Energy Commmission also reported that "absent responding to the current electrical emergency, the AES project does not present sufficient justification to perpetuate the vintage Huntington Beach power plant on a coastline of world-renowned scenic, recreational, and environmental value." As a result, the Energy Commission only granted a certification for five years, with an option to extend for an additional five years.

Since AES has moved forward with the improvements to Units 3 and 4, at a cost of approximately $150 million, AES states that it is unable to consider any effort to demolish and reconstruct a new facility until after the costs of these improvements have been fully recouped, which may be as much as ten years. By that point, most of the operational equipment at AES will be more than 50 years old, and residents and visitors would endure another decade of exposure to unhealthy emissions that could be mitigated. It is unclear what the state of the energy market will be by that point, and the community should not have to rely on the conditions of the energy market to obtain cleaner air.

The AES generating facility is an example of an unsafe/unhealthy building in the Project Area, because its emissions pose a health risk that could be mitigated if the facility was replaced with a newer facility. In addition, the Energy Commission's report supports the case that the substandard design of the AES plant will be functionally obsolete as the State's power generation becomes more reliant on newer, more efficient plants. The current energy crisis has created the necessity for AES to invest in interim improvements that impair the owner's ability to transform the facility into an economically viable use by demolishing and replacing the existing facility in the next ten years, and it is uncertain whether the energy market will at that time support such an effort. As a result, the citizens of Huntington Beach (and in particular those in the greater southeast area) are subjected to higher emissions without any promise of a cleaner facility in the foreseeable future.

Redevelopment can be used by the Agency to facilitate improvements to the AES facility that mitigates the plant's long-term health and physical impacts on the community. For example, if the plant is locally assessed, property tax revenues generated by the project could be used to leverage for an improved replacement power plant that is cleaner, smaller, and more efficient, while generating the same amount of energy for California consumers. Another possible option for the Agency would be to provide incentives for AES to mitigate emissions beyond State requirements to improve overall air quality for the area. The Agency could also participate in community development projects around the power plant to enhance the area and upgrade adjacent recreational and open space properties. At a time when the energy market is unpredictable, such assistance could be essential to aid the private sector with such improvements for the betterment of the community.

### Ascon/NESI Landfill Site

The 38-acre Ascon/NESI landfill has been designated a Superfund site due to serious toxic contamination. According to City documents, though the site has been fenced off and posted, the general public and neighborhood children have been seen trespassing onto the site, raising public health and safety concerns.

Between 1938 and 1984, the Ascon/NESI landfill was an active dump, where the DTSC reports the following items were deposited on site:

| | | |
|---|---|---|
| Drilling muds | Wastewater brines | Other drilling wastes |
| Chromic acid | Sulfuric acid | Aluminum slag |
| Fuel oils | Styrene | Asphalt |
| Concrete | Metal | Soil |
| Wood | | |

Since it closed in 1984, two developers have gone bankrupt trying to redevelop the site. The first was Ascon Properties, Inc., who purchased the property in 1984, and after unsuccessful attempts to use the property went bankrupt in 1989. The second unsuccessful developer was NESI Investment Group, who purchased the site out of the Ascon Properties, Inc. foreclosure sale. After preparing to remove some of the liquid materials in late 1991, the South Coast Air Quality Management District ordered NESI to halt operations to obtain the proper permits, which were ultimately issued in August 1992. The liquid materials were never removed, and NESI filed for bankruptcy in January 1993.

Signal Mortgage Company obtained the Ascon/NESI landfill in May 1993 through a foreclosure sale, and has been working with the DTSC for the past eight years on a cleanup solution. Though 10 of the 16 responsible parties have been identified and agreed to participate in a cleanup solution, a remedial action plan has not yet been adopted, to facilitate cleanup activities. In fact, in an interview with Signal Mortgage representatives in January 2002, it was confirmed that there are no assurances that the cooperating parties have the financial ability and commitment to fully remediate the site as sought by the DTSC. A feasibility study of the site conducted by ENVIRON International Corporation in November 2000, recommended that most of the material be removed from the property, and estimated a remediation cost of approximately $31.5 million. In addition, the owner estimates an additional $3.5 million would be needed for insurance and other items not included in the remediation cost estimate, bringing the total to $35 million. Signal Mortgage representatives expressed concern that only $20 million of the $35 million needed could be recovered from the cooperating parties, leaving a $15 million gap in cleanup costs. Without the entire $35 million for remediation, timely redevelopment of the Ascon/NESI landfill could be in jeopardy.

Any remaining toxic remediation, plus development costs, would be the responsibility of the developer. Because development costs cannot exceed the market value of the project once completed, there are finite amount of development costs that a project can be expected to bear. RSG's analysis of the Ascon/NESI landfill site concluded that additional remediation costs, plus off site improvements needed to make the site developable for residential use (as designated in the Magnolia Pacific Specific Plan) exceed the ultimate market value of the project.

The Magnolia Pacific Specific Plan establishes land use policies and development standards for the Ascon/NESI landfill site, and permits the development of up to 502 units of single-family detached and attached housing units. Discussions with Mary Beth Broeren, City Senior Planner, the actual number of dwelling units will most likely be less than the maximum permitted, since projects rarely develop to the maximum density. Both the property owner and Ms. Broeren estimated that approximately 371 units would most likely be developed.

To analyze the financial feasibility of redeveloping the Ascon/NESI landfill site, RSG prepared the following construction pro forma to show the compare development costs to project revenues, under the maximum (502 unit) and probable (371 unit) buildout scenarios. Development pro formas are commonly used by developers and real estate investors to gauge the ability of a potential development to be constructed at or below the project's value at buildout. For a for-sale residential project permitted for the Ascon site under the Specific Plan, the project's value is equal to the combined total sales prices for all units built. Based on the property owner's estimates for both the detached and attached products, RSG estimates that the combined sales price for the 502-unit scenario would be approximately $197.8 million, and $161.6 million for the 371-unit scenario.

As shown in Table B-1 below, the cost of developing the Ascon/NESI landfill could cost between $3.9 million and $11.7 million more than the total project value. This additional cost discourages the private sector from proceeding with development of the project, because the additional costs would offset most, if not all, of the profit in the project. Without an ability to generate a reasonable profit, the private sector has no incentive to proceed with redevelopment of the project. Without development of the project, there is no additional funding source for the $15 million of cleanup costs that may not be procured from the responsible parties, so the entire cleanup and reuse of the Ascon/NESI landfill may be in jeopardy unless an outside funding source is found to bridge the financing gap of $3.9 million to $11.7 million.

| Ascon Landfill Development Pro Forma | | TABLE B-1 |
|---|---|---|
| **Buildout Scenario** | Maximum Buildout | Probable Buildout |
| Units | (502 Units) | (371 Units) |
| **Acquisition & Site Preparation** | $ 45,690,800 | $ 45,690,800 |
| Land Purchase | 24,400,000 | 24,400,000 |
| Cleanup Costs | 21,000,000 | 21,000,000 |
| Site Preparation Costs | 290,800 | 290,800 |
| **Hard Construction Costs** | $ 97,201,787 | $ 73,978,187 |
| Residences | 67,244,000 | 51,494,000 |
| Common Area Landscaping | 2,449,727 | 2,449,727 |
| Off Site Improvements | 27,508,060 | 20,034,460 |
| **Soft Costs** | $ 54,910,392 | $ 41,922,337 |
| Architects/Consultants/Legal | 7,776,143 | 5,918,255 |
| Fees/Permits | 8,262,152 | 6,288,146 |
| Financing | 9,720,179 | 7,397,819 |
| Marketing | 3,888,071 | 2,959,127 |
| Taxes | 777,614 | 591,825 |
| Development Administration | 7,776,143 | 5,918,255 |
| Profit | 11,850,000 | 9,150,000 |
| Contingency | 4,860,089 | 3,698,909 |
| **Total Development Costs** | $ 197,802,979 | $ 161,591,324 |
| **Sales Revenue** | $ 193,870,000 | $ 149,890,000 |
| **Feasibility Gap** | $ (3,932,979) | $ (11,701,324) |

The blighting conditions present at the Ascon/NESI landfill site include the presence of hazardous materials that hinder the economically viable use of the property, and impair the owner's investment. Without the $21 million to $35 million of cleanup costs, redevelopment of the Ascon/NESI landfill site could be financially infeasible. The Ascon/NESI landfill also poses a health risk to the neighborhood, as children and adults have been found trespassing onto the site despite perimeter fencing and posted notices. The Feasibility Study Report[1] indicates trespasser may fall into one of the lagoons (largest one measurement at 300x500 feet) either under the influence of drugs or alcohol or of low visibility during nighttime.

The Feasibility Study Report also presented the results of a Baseline Health Risk Assessment that concluded, under current conditions, the Ascon/NESI landfill presents a potential health risk to current off-site residents and workers.

[1] Feasibility Study Report Ascon Site, 21641 Magnolia Street, Huntington Beach, California; ENVIRON International Corporation (November 2000)

According to the Feasibility Study Report, "waste pits and lagoons at the site present a continuous source of chemicals that can migrate to on-site and off-site receptors through the air and ground water.

According to local real estate professionals and property owners, the physical and economic conditions of both the Ascon/NESI landfill and AES facility cause property values of surrounding residential properties to be lower than other coastal property in the City. An analysis of single family home sales during calendar year 2001 indicates that single family homes in the southeast neighborhoods (immediately north and east of the Project Area) sell for approximately 22.5% less than homes in other parts of the City within the same half-mile distance of the coastline. This data demonstrates that the proximity to incompatible uses such as the Ascon/NESI landfill and AES generating facility hinders the economic development of the greater Southeast area, since lower expected returns provide little incentive for new development.

Redeveloping the Ascon/NESI landfill site would be an important objective of the Agency under the Plan. Among the activities the Agency could undertake to expedite the cleanup of this property could include assisting the owner with development costs to bridge the financing gap for the ultimate development of the property, or assist with toxic remediation activities. Agency participation in the redevelopment of the Ascon/NESI landfill property could expedite cleanup and reuse activities. In addition, any additional funds recovered from the responsible parties could be used to reimburse the Agency for any contributions to site remediation.

Appendix 1

# Photo Survey


Picture 1: The Ascon/NESI landfill Site on Hamilton Avenue and Magnolia Street contains hazardous material contamination and redevelopment could be used for cleanup and subsequent development of the site.

Picture 2: The Ascon/NESI landfill site was previously used for disposing hazardous materials and now it is a landfill with overgrown weeds and economically unusable.

Picture 3: The Edison Tanks on the corner of Magnolia and Pacific Coast Highway.


Picture 4: The Edison Tanks are visible from the nearby residential neighborhood north of Hamilton Ave.


Picture 5: The AES generating facility on Pacific Coast Highway and Newland Street. This photograph shows the ongoing retooling of Units 3 and 4, which prevents the owner from demolishing and constructing a newer and lower facility in the foreseeable future.


Picture 6: 8541 Edison Ave, Southern California Striping. The vehicles to be salvaged are parked on the streets due to lack of sufficient onsite parking and storage.


Picture 7: 8551 Edison Ave, Beach Wrecking. The entire street is characterized by auto salvaging type uses and the facilities do not have adequate parking spaces.

Section
C

# Five-Year Implementation Plan

This Section presents the Five-Year Implementation Plan ("Implementation Plan") for the Southeast Coastal Redevelopment Project ("Project"). If the Redevelopment Plan is adopted by the City Council, then this Implementation Plan will guide the Agency as it implements specific redevelopment projects in the Project Area. If adopted, this Implementation Plan will be in place for the next five years (fiscal years 2002-03 through 2006-07). Midway after its adoption, the Agency must seek community input, and review and update this Implementation Plan.

This Implementation Plan is prepared pursuant to Sections 33352 and 33490 of the Redevelopment Law. Since 1994, every redevelopment agency is required to prepare an implementation plan that outlines the projects and expenditures the agency will undertake to address blight in a redevelopment project area. Implementation plans are initially formulated and subsequently updated through a legally mandated process that incorporates extensive public input. The purpose is to inject more public input into the programs a redevelopment agency implements to address blight in a redevelopment project area.

Pursuant to Sections 33352(c) and 33490 of the Redevelopment Law, this Implementation Plan presents the following:

- The major goals and objectives of the Agency for the Project Area.
- The programs, projects, and estimated expenditures planned for the next five years.
- An explanation of how the programs, projects and expenditures will achieve the goals of the Agency and eliminate blight in the Project Area.
- An explanation of how the programs, projects, and expenditures will implement the affordable housing requirements of the Redevelopment Law and will increase, improve, and preserve the supply of housing affordable to very low, low, and moderate income households.

## Plan Goals and Objectives

Section 400 of the Plan delineates the Agency's redevelopment goals and objectives for the Project Area. These goals and objectives, which are listed below, were employed to formulate the overall strategy for this Implementation

Plan and will serve as a guide for the Agency's activities during the next five years.

- To assist with screening, design, or environmental improvements to mitigate impacts on adjoining neighborhoods and environmentally sensitive areas associated with modernization and reconstruction of the AES power generating plant;
- To advance the cleanup of environmentally contaminated properties;
- To facilitate the reuse of other Project Area properties including the Edison and tank farm properties, by monitoring and assisting hazardous material cleanup activities and ensuring that any ultimate development is compatible with surrounding neighborhoods and properties;
- To facilitate the protection and restoration of environmentally sensitive wetlands in connection with proposed redevelopment activities;
- To permit the Agency to assist with park and trail improvements if any Project Area properties are designated for such uses;
- Undertake public improvements in, and of benefit to, the project area, such as streets, flood control facilities, and other public facilities;
- To ensure that Project Area revenues are pledged to projects that directly benefit the area, and that the Project Area remains separate and distinct from the Agency's existing Huntington Beach Redevelopment Project Area;
- To restrict the use of eminent domain to any non-fee ownership interests such as oil and gas leases;
- Eliminating blight and environmental deficiencies in the Project Area;
- Assembling of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area;
- Replanning, redesigning, and developing properties, which are stagnant or improperly utilized; and
- Increasing, improving, and preserving the community's supply of housing affordable to very low, low, and moderate income households.

## Blighting Conditions

The Project Area was established to address conditions of physical and economic blight. Sections 33030 and 33031 of the Redevelopment Law define physical and economic blight as:

Physical blight includes the following:

- Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.

- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.

- Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.

- The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

Economic blight includes the following:

- Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of Agency authority.

- Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.

- A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.

- Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.

- A high crime rate that constitutes a serious threat to the public safety and welfare.

The Law also provides that deficient public improvements may be identified as a blighting condition under circumstances including the presence of physical and economic blight.

The Agency's goals and objectives and the programs and projects presented in this Implementation Plan are designed to alleviate and/or eliminate blight in the Project Area, as described in Section B of the Agency's Report to the City Council on the Redevelopment Plan. In general, they include the following:

1) Unsafe/Unhealthy Buildings;

2) Factors Hindering the Economically Viable Use of Lots;

3) Incompatible Uses; and

4) Impaired Investments.

## Financial Resources

The following presents a projection of revenues the Agency may have available over the next five years to fund the Implementation Plan activities. The projections are based on the financial analysis included in Section E of the Agency's Report to the City Council.

The projections are based on the following assumptions:

1) **2001-02 Base Year Value:** Assuming the Plan is adopted prior to July 20, 2002, the Project will collect tax increment revenues from increases in the Project Area assessed value over fiscal year 2001-02. In December 2001, the Orange County Auditor-Controller and State Board of Equalization delivered a report of the estimated base year value of the Project Area. The base year report set the Project Area's base year value at $103,943,351, of which $102,441,937 (99%) is attributed to the AES generating facility that may ultimately be removed from the local roll and the base year value of the Project Area. (See Item 3 below.)

2) **Assessed Value Growth Rates:** RSG conservatively applied a 1.5% annual growth rate to forecast future assessed value increases in future years. In addition, as noted below, the projections incorporate specific development assumptions that further increase the Project Area's projected tax increment revenues.

3) **AES generating facility Assessment:** Presently, the County Assessor assesses the $102.4 million AES generating facility on the local secured roll, though a recent decision by the State Board of Equalization (Rule 905) will shift this property to the State-assessed utility roll beginning in fiscal year 2002-03.

   In the event that the State Board maintains this shift to the state utility role, the County Auditor Controller would remove the AES value from the local roll, and the Project Area's base year value would be reduced to $1,501,414. The Agency would not receive a substantial amount of tax increment revenue from the AES facility, including any future improvements or alterations; property tax revenues collected from the AES facility would be apportioned on a countywide basis. As described in more detail later in this Section, the gross tax increment revenue projected for the Agency could be reduced by approximately 43% (or $62.2 million) over the next 45 years if the AES facility is assessed pursuant to the State Board's new procedures.

However, the City of Huntington Beach and other jurisdictions are currently working with the State to modify its decision to permit the property tax revenues to be State-assessed, but apportioned only to the local affected taxing agencies. The solution the City is seeking would effectively yield the same amount of property tax revenues to the local taxing agencies (and Redevelopment Agency) as if the property remained on the local (County-assessed) secured roll.

This Report analyzes the implications of both assessment scenarios on the Agency's project tax increment revenues. In the event that the AES facility is state assessed and apportioned countywide, the Agency's redevelopment program would be curtailed, but tax increment revenues from the balance of the Project Area, including the redevelopment of the Ascon/Nesi Landfill, could be used to underwrite a more focused redevelopment program in the Project Area.

4) **Development Assumptions.** RSG incorporated various development assumptions into the revenue forecast. Since specific development proposals are not in place at this time, actual project scope and timing may vary significantly from what is included in this forecast.

The specific projects included in the development assumptions are noted below:

- <u>AES generating facility – Units 3 & 4 Reactivation</u>. In the event that property taxes from the AES generating facility are apportioned to the local affected taxing agencies (rather than on a countywide basis), AES's retooling of Units 3 and 4 would be expected to add a minimum of $75.0 million (conservatively 50% of the $150 million construction cost) to the 2002-03 assessment roll.

- <u>Ascon/Nesi Landfill Redevelopment</u>. Though up to 502 units are permitted by the Magnolia Pacific Specific Plan, RSG projected additional assessed value increases based on a more probable 371-unit buildout (as described in Section B). According to the property owner, who has conducted some preliminary market research of the area, the single-family detached units are anticipated to sell for approximately $500,000, while the attached units are anticipated to sell for about $250,000. RSG is assuming that the project would commence construction in the year 2011.

Table C-1 presents the annual projected gross tax increment receipts, low and moderate housing set-aside requirement, statutory payments to affected taxing entities, and the remaining net revenues allocated to non-housing projects. Over the first five years of the Plan, if the AES facility remains in the local tax roll then the Agency is anticipated to collect as much as $667,176 in housing fund revenue and $2,001,529 in non-housing fund revenue. Alternatively, if the AES facility stays on the State unitary utility roll, these revenues could be reduced to $626 and $1,877, respectively. However, while not possible to predict, other Project Area properties such as the tank farms may recycle or the proposed $200 million Poseidon Desalination Facility may be constructed and generate substantial amounts of additional tax increment revenue during the life of the Project Area.

Projected Tax Increment Revenues **TABLE C-1**

| Fiscal Year | With AES Facility on Local Roll | | | | Without AES Facility on Local Roll | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Tax Increment | Taxing Agency Payments | Housing Set Aside Deposits | Nonhousing Revenue | Gross Tax Increment | Taxing Agency Payments | Housing Set Aside Deposits | Nonhousing Revenue |
| 2002-03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2003-04 | 792,480 | 158,496 | 158,496 | 475,488 | 441 | 88 | 88 | 264 |
| 2004-05 | 819,865 | 163,973 | 163,973 | 491,919 | 666 | 133 | 133 | 400 |
| 2005-06 | 847,662 | 169,532 | 169,532 | 508,597 | 895 | 179 | 179 | 537 |
| 2006-07 | 875,875 | 175,175 | 175,175 | 525,525 | 1,127 | 225 | 225 | 676 |
| | $ 3,335,882 | $ 667,176 | $ 667,176 | $ 2,001,529 | $ 3,128 | $ 626 | $ 626 | $ 1,877 |

Source: Report to the City Council, Table E-1

## Five-Year Programs and Expenditures

During the five-year planning period, the Agency anticipates initiating several planning and implementation activities, contingent upon the availability of tax increment revenues. These activities include the following: 1) pursue local roll reassessment of AES plant, 2) Project Area Design for Development, 3) cleanup of Ascon/Nesi landfill site, 4) public infrastructure and facility program, and 5) affordable housing program. These activities, including the goals to be accomplished, blighting conditions targeted, and estimated expenditures, are described below.

### 1) Pursue Local Roll Reassessment of AES plant

In 2001, the State Board of Equalization revised Rule 905 that removed power-generating plants (including the AES plant) from the local assessment roll, and required that their tax revenues from such utilities be apportioned on a countywide basis. This action severely impairs the Agency's potential tax increment revenue flows, particularly during the earliest years of the Project Area. Without the AES plant tax revenues, the Agency would have less than $2,500 available to fund housing and nonhousing projects during the first five-year planning period.

To alleviate this problem, Agency and City staff will continue their multifaceted efforts to return tax revenue apportionments to local taxing agencies, including the Agency.

**a. Agency Goals and Objectives to be Achieved**

Undertaking this program will enable the Agency to adopt a comprehensive design and vision for the redevelopment of the Project Area, thereby advancing the community's efforts towards eliminating blight and achieving the following goals:

- To assist with screening, design, or environmental improvements to mitigate impacts on adjoining neighborhoods and environmentally sensitive areas associated with modernization and reconstruction of the AES power generating plant;
- To ensure that Project Area revenues are pledged to projects that directly benefit the area, and that the Project Area remains separate and distinct from the Agency's existing Huntington Beach Redevelopment Project Area; and
- Replanning, redesigning, and developing properties, which are stagnant or improperly utilized.

**b. Blighting Conditions Alleviated or Removed by Program**

This program will begin to address the following conditions of blight identified in the Project Area:

- Unhealthy Buildings
- Factors Hindering Viable Use
- Incompatible Uses
- Impaired Investments

**c. Estimated Expenditures: None**

**2) Project Area Design for Development**

Residents from the neighborhoods surrounding the Project Area have expressed reservations about the broad range of Project Area land uses permitted by the City's General Plan, particularly the industrial uses currently allowed under the City's Public zoning designation for much of the Project Area. In response to this, the Agency has narrowed the types of uses permitted in the Redevelopment Plan, and proposed the Southeast Coastal Redevelopment Project Area Design for Development as a means to further refine potential land uses and redevelopment activities for the Project Area. The Design for Development in intended to place additional restrictions on land use, in context of community, property owner, planning, and market feasibility interests.

During the five-year planning period, the Agency will work with the City Council's Southeast Committee to create a task force of Project Area property owners, business owners, and nearby residents to formulate the Design for Development policies and have them adopted. Next, the Agency may conduct real estate market, planning and other studies to evaluate the viability and potential level of redevelopment assistance necessary to implement desired uses.

### a. Agency Goals and Objectives to be Achieved

Undertaking this program will enable the Agency to adopt a comprehensive design and vision for the redevelopment of the Project Area, thereby advancing the community's efforts towards eliminating blight and achieving the following goals:

- To assist with screening, design, or environmental improvements to mitigate impacts on adjoining neighborhoods and environmentally sensitive areas associated with modernization and reconstruction of the AES power generating plant;
- To advance the cleanup of environmentally contaminated properties;
- To facilitate the potential reuse of other Project Area properties including the Edison and tank farm properties, by monitoring and assisting hazardous material clean-up activities and ensuring that any ultimate development is compatible with surrounding neighborhoods and properties;
- To facilitate the protection and restoration of environmentally sensitive wetlands in connection with proposed redevelopment activities;
- To permit the Agency to assist with park and trail improvements if any Project Area properties are designated for such uses;
- Undertake public improvements in, and of benefit to, the project area, such as streets, flood control facilities, and other public facilities;
- To ensure that Project Area revenues are pledged to projects that directly benefit the area, and that the Project Area remains separate and distinct from the Agency's existing Huntington Beach Redevelopment Project Area;
- To restrict the use of eminent domain to any non-fee ownership interests such as oil and gas leases;
- Eliminating blight and environmental deficiencies in the Project Area;
- Assembling of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area;
- Replanning, redesigning, and developing properties, which are stagnant or improperly utilized; and

- Increasing, improving, and preserving the community's supply of housing affordable to very low, low, and moderate income households.

**b. Blighting Conditions Alleviated or Removed by Program**

This program will begin to address the following conditions of blight identified in the Project Area:

- Unhealthy Buildings
- Factors Hindering Viable Use
- Incompatible Uses
- Impaired Investments

**c. Estimated Expenditures: Up to $100,000**

**3) Clean-up of Ascon/Nesi Landfill Site**

The Agency proposes to continue to monitor and where appropriate and necessary assist with Cal EPA's ongoing effort to implement a remediation plan for the closed Ascon/Nesi Landfill property at Hamilton and Magnolia Avenues.

**a. Agency Goals and Objectives to be Achieved**

Undertaking this program will enable the Agency to adopt a comprehensive design and vision for the redevelopment of the Project Area, thereby advancing the community's efforts towards eliminating blight and achieving the goals of the Agency. Completion of this program will achieve the following Agency goals and objectives:

- To advance the cleanup of environmentally contaminated properties;
- To facilitate the potential reuse of other Project Area properties including the Edison and tank farm properties, by monitoring and assisting hazardous material clean-up activities and ensuring that any ultimate development is compatible with surrounding neighborhoods and properties;
- To facilitate the protection and restoration of environmentally sensitive wetlands in connection with proposed redevelopment activities;
- To restrict the use of eminent domain to any non-fee ownership interests such as oil and gas leases; and
- Eliminating blight and environmental deficiencies in the Project Area.

**b. Blighting Conditions Alleviated or Removed by Program**

- Factors Hindering Viable Use
- Incompatible Uses
- Impaired Investments

**c. Estimated Expenditures: None at this time.**

**4) Public Infrastructure and Facility Program**

Provided that the Project Area has the resources available, the Agency may assist construction of public improvements in and around the Project Area. These projects may include assisting development of proposed Orange Coast River Park in and adjacent to Project Area.

**a. Agency Goals and Objectives to be Achieved**

This program will enable the Agency to construct public improvements that address substandard and inadequate public infrastructure in the Project Area. As one of the major focuses of the Agency in the Redevelopment Plan, improvements to Project Area infrastructure will achieve certain goals and alleviate blighting conditions in the Project Area. Completion of this program will achieve the following Agency goals and objectives:

- To permit the Agency to assist with park and trail improvements if any Project Area properties are designated for such uses;
- Undertake public improvements in, and of benefit to, the project area, such as streets, flood control facilities, and other public facilities; and
- To ensure that Project Area revenues are pledged to projects that directly benefit the area, and that the Project Area remains separate and distinct from the Agency's existing Huntington Beach Redevelopment Project Area.

**b. Blighting Conditions Alleviated or Removed by Program**

Completion of this program will address the following conditions of blight identified in the Project Area:

- Factors Hindering Viable Use
- Impaired Investments
- Inadequate Public Improvements

**c. Estimated Expenditures: Up to $500,000**

5) **Affordable Housing Program**

During the first five years of the Plan, the Agency proposes to invest Project Housing Funds into existing citywide housing programs. Prior to adopting the Redevelopment Plan, the City Council and Agency will consider resolutions finding that such housing funds may be used outside the Project Area. Among the potential housing programs that may be funded include the following:

- New construction of affordable dwelling units
- Acquisition and rehabilitation of existing units

**a. Agency Goals and Objectives to be Achieved**

Affordable housing is an important component of the Agency's implementation strategy during the first five years of the Plan. By investing Project resources into existing Agency and City affordable housing endeavors, the Agency will be able to more efficiently achieve the goals and objectives:

- Increasing, improving, and preserving the community's supply of housing affordable to very low, low, and moderate income households.

**b. Blighting Conditions Alleviated or Removed by Program**

Since funds are anticipated to be used primarily outside the Project Area, this program will not be eliminating blighting conditions.

**c. Estimated Expenditures: Up to $667,000**

## Affordable Housing Compliance Plan

The provisions of Section 33413(b)(4) of the Redevelopment Law require the Agency to adopt and periodically update a plan to ensure compliance with the existing criteria of Section 33413 of the Redevelopment Law regarding the affordability mix of new or rehabilitated housing units ("Housing Compliance Plan"). This Housing Compliance Plan must be consistent with the jurisdiction's housing element and must also be reviewed and, if necessary, amended at least every five (5) years with either the housing element cycle or the implementation plan cycle.

The following narrative addresses provisions of Section 33490(a)(2) (A) and (B) of the Redevelopment Law:

1. *The amount of tax increment revenue that will be deposited in the Low and Moderate Income Housing Fund during each of the next five years.*

   Table C-1 indicates the annual projected housing fund revenues over the next five years. The projected deposits to the Housing Fund during the next five years could total approximately $667,000.

2. *Estimates of the number of new, rehabilitated, or price-restricted units to be assisted during each of the five years and estimates of the expenditures of moneys from the Low and Moderate Income Housing Fund during each of the five years.*

   As there are no existing housing units within the Project Area and the only residentially zoned land is located on the Ascon/Nesi site, it is highly unlikely that any housing units will be produced within the project area during the next five years. Thus, the Agency anticipates expending all of the Housing Fund monies during the coming five years on programs that either result in construction or rehabilitation of affordable housing units outside the Project Area throughout the City. Table C-1 presents a forecast of the annual deposits to the Housing Fund from 2002-03 through 2006-07. During the first five years of the Plan, the Agency estimates that approximately $667,000 cumulatively will be expended on these programs.

3. *An estimate of the number of new, substantially rehabilitated or price-restricted residential units to be developed or purchased within the Project Area, both over the life of the Redevelopment Plan and during the next ten years.*

   As the Agency is not aware of any housing proposals in the Project Area, no units are anticipated to be developed, rehabilitated, or price restricted during the next ten years. Beginning in 2012, the Agency anticipates that as many as 502 new units may be constructed with the remediation and reuse of the Ascon/Nesi Landfill. No other residential units are anticipated for the Project Area.

4. *An estimate of the number of units of very low, low- and moderate-income households required to be developed within the Project Area in order to meet the requirements of Section 33413(b)(2) of the Redevelopment Law, both over the life of the Redevelopment Plan and during the next ten years.*

   Assuming 502 units are developed at the Ascon/Nesi site, a minimum of 15% of the units developed would need to be affordable (75 units). Of these affordable units, at least 30 units (40%) would need to be reserved for very low-income households, pursuant to Section 33413(b)(2) of the Redevelopment Law. Although the Agency does not anticipate that these units will be developed within the next ten years, it is possible that these units could be created during the 30-year duration of the Redevelopment Plan.

5. *The number of units of very low, low-, and moderate-income households which have been developed within the Project Area which meet the requirements of Section 33413(b)(2) of the Redevelopment Law.*

   Because the proposed Plan is in the process of being adopted and the Project Area has not yet officially been created, this requirement does not apply.

6. *An estimate of the number of Agency-developed residential units which will be developed during the next five years, if any, which will be governed by Section 33413(b)(1).*

   As there are no residential units within the Project Area, the Agency does not anticipate developing or rehabilitating any residential units in the Project Area during the next five years.

7. *An estimate of the number of units for very low, low-, and moderate-income households in the Project Area which will be developed by the Agency during the next five years to meet the requirements of Section 33413(b)(1) of the Redevelopment Law.*

   The Agency does not anticipate developing any residential units during the next five years. Therefore, the requirements of this section do not apply at this time.

The following discussion contains the required components pursuant to Section 33490(a)(3) of the Redevelopment Law:

Pursuant to Section 33490(a)(3) of the Redevelopment Law, if the Implementation Plan contains a project that will result in the destruction or removal of dwelling units that will have to be replaced pursuant to Section 33413(a) of the Redevelopment Law, the Implementation Plan shall identify proposed locations suitable for those replacement dwelling units.

As there are no residential units within the proposed Project Area, the requirements of this section do not apply to this Implementation Plan. However, in the remote event that this occurs, the Agency will provide replacement dwelling units in compliance with the requirements of Section 33413(a) of the Redevelopment Law.

## Means to Accomplish Requirements

The Agency intends to use revenue in the Low and Moderate Income Housing Fund and any other appropriate funds available to the Agency under the Plan, including, but not limited to, the Department of Housing and Urban Development funds. Where available, low-income housing tax credits and tax exempt financing mechanisms may also be used by the Agency. Policies and programs such as providing affordable housing incentives for developers, permitting manufactured housing, and inclusionary housing programs will be explored by the Agency. The Agency may also provide rehabilitation loans and grants.

## Housing Element Compliance

The Redevelopment Plan and the Housing Compliance Plan conform to the City General Plan and Housing Element. This Housing Compliance Plan, like the Housing Element in the City's General Plan, focuses on providing suitable housing for City residents including lower income households and has been prepared according to guidelines established in the programs and goals outlined in the Housing Element of the General Plan.

Section

# D

# An Explanation of Why the Elimination of Blight Cannot be Accomplished by Private Enterprise Acting Alone or Through Other Financing Alternatives Other Than Tax Increment Financing

## Why Private Enterprise Alone Cannot Eliminate Blight

As described in Section B of this Report, the Agency cannot rely on private enterprise acting alone to eliminate blight because the private sector is constrained by numerous factors that inhibit investment. For example, AES's $150 million investment in the retooling of its facility forced it to defer for at least ten years its plans to demolish and rebuild a newer, cleaner facility at the same location. At the Ascon/NESI landfill, the failed efforts of two prior developers that led to bankruptcies indicate the difficulty for the private sector to redevelop that property. Due to excessive cleanup costs reaching $35 million, the private sector cannot feasibly redevelop the Ascon/NESI landfill. The inability of both owners to redevelop their properties results in environmental, health and economic impacts felt not only in the Project Area but throughout the surrounding neighborhoods, as property values in the surrounding area are depreciated due to the stigma of being located next to these properties.

Participation by the Agency can enable these property owners to bridge the financial gap to be able to mitigate blight in the Project Area. For example, the Agency could work with the owners of the Ascon/NESI landfill to recover funds from responsible parties, provide funds for infrastructure and other improvements, or provide other financial assistance to make development of the site financially viable. Similarly, Agency participation with AES could expedite redevelopment of the obsolete and harmful generating facility, strive for enhanced air quality controls, and improve surrounding properties to mitigate the plant's aesthetic impacts on the overall Southeast area. Similar partnerships are underway in other parts of the state as local governments are seeking a means to accommodate the State's power demands.

## Reasons for the Provisions of Tax Increment

Without tax increment revenue, the Agency would be forced to rely on the City's General Fund to underwrite redevelopment implementation costs over the next 45 years. Because the City collects approximately 16% of the property taxes (as compared to 65% - 69% that would be retained by the Agency), a far smaller amount of tax increment revenue would be generated for redevelopment implementation. By providing tax increment revenue, the Plan entitles the Agency to a much larger share of the future property taxes than what the City would receive without this authority.

Tax increment financing will be an essential part of the Agency's redevelopment program in the Project Area. For years, the Ascon/NESI landfill has languished and two property owners have gone bankrupt in prior efforts to clean up and recycle the property. While ongoing activities involving the current owner and responsible parties are encouraging, there is evidence that additional financial assistance may be needed, particularly if the $35 million of cleanup costs cannot be recovered from the responsible parties. Tax increment financing could be used to help close the financing gap for reuse of the Ascon/NESI landfill.

If property taxes from the AES facility are apportioned locally (instead to all agencies countywide), tax increment financing may also be useful in underwriting some of the costs of replacing the existing facility with a newer, cleaner, lower profile plant. At a time when the property owner has just invested significant capital into interim improvements to meet the State's energy demands, and the future of the energy market is uncertain, the ability to use tax increment revenues to improve this facility may be of great benefit to the Project Area and the Southeast area overall.

In addition, tax increment financing may also be useful for undertaking community development, recreational, and infrastructure projects in and around the Project Area to upgrade the Southeast area, and make Project Area properties an asset to the community.

Section

E

# Method of Financing and Economic Feasibility of the Plan

Redevelopment of the Project Area is proposed to be financed with the following resources:

1) Financial assistance from the City, County, State of California and/or Federal Government;

2) Tax increment revenue;

3) Bonded debt;

4) Proceeds from lease or sale of Agency-owned property;

5) Loans from private financial institutions; and

6) Any other legally available source.

The more typical sources of redevelopment financing that may be employed with the Project are described below.

## Financial Assistance from the City, County, State, and/or the Federal Government

The Agency may obtain loans and advances from the City for planning, construction, and operating capital for administration of the Project until such time that sufficient tax increment revenue is raised to repay loans and provide other means of operating capital. The City may also defer payments on Agency loans for land purchases, benefiting the Agency's cash flow. Such assistance is anticipated to be employed to meet short-term cash flow needs, as the City's General Fund cannot carry extensive levels of Agency debt at the risk of threatening the City's own cash balances.

As available, other funds such as matching federal and state grants will be appropriately used to pay the costs of Project implementation. The Agency and City will also pursue other available grants and loans; additionally, the City or other public agencies may issue bonds on behalf of the Agency and provide in-kind assistance.

## Property Tax Increment

The Agency may use property tax increment as provided for in Section 33670 of the Redevelopment Law, and is authorized in the Plan to employ tax increment financing to underwrite Project costs. Tax increment revenue may only be used to pay indebtedness incurred by the Agency; indebtedness includes principal and interest on loans, monies advanced, or debts (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, redevelopment activities. Under Redevelopment Law, an agency can only collect tax increment revenue once it has incurred debt.

Project tax increment revenues are distributed to address an array of obligations. As required by Section 33334.6 of the Redevelopment Law, twenty percent (20%) of Project tax increment revenue is deposited into the Housing Fund for the purposes of increasing, improving, and preserving the community's supply of low and moderate income housing.

The remaining 80% of the tax increment revenue will be used to pay for statutory taxing entity payments (as described in more detail later in this Section), debt service costs, and other program expenditures. Program expenditures include infrastructure, public facilities, and economic development programs within the Project Area.

The Plan would feature specific time limits on the collection of tax increment revenue as required by Redevelopment Law. As stated in the Plan, the Agency may collect tax increment revenue for a period of 45 years following adoption of the ordinance adopting the Plan. Assuming the Plan is adopted in June 2002, the Agency would receive Project Area tax increment revenue through fiscal year June 2047 (through fiscal year 2046-47).

## Bonded Debt

Under the Plan, the Agency would have a capacity to issue bonds and/or notes for any of its purposes, payable in whole or in part from tax increment revenue. Many redevelopment agencies in the state employ bond financing as an integral component of their overall redevelopment-financing program.

The Plan permits the Agency the ability to incur debt for a 20-year period after its adoption, and establishes a $50 million cumulative limit on the amount of bonded debt principal which may be outstanding at any one time. Assuming the Plan is adopted in June 2002, the Agency would be permitted to incur debt until June 2022 (through fiscal year 2021-22)

## Lease or Sale of Agency-Owned Property

The Agency may sell, lease, or otherwise encumber its property holdings to pay the costs of Project implementation.

### Participation in Development

If the Agency enters into agreements with property owners, tenants, and/or other developers that provide for revenues to be paid or repaid to the Agency, such revenues may be used to pay Project implementation costs.

### Other Available Sources

Any other loans, grants, or financial assistance from the federal government, or any other public or private source will be utilized, as available and appropriate. The Agency will also consider use of the powers provided by Chapter 8 (Redevelopment Construction Loans) of the Redevelopment Law to provide construction funds for appropriate projects. Where feasible and appropriate, the Agency may use assessment district and/or Mello-Roos bond financing to pay for the costs of public infrastructure, facilities, and operations.

## Projected Tax Increment Revenues

The primary source of project financing is anticipated to be tax increment revenue. Table E-1 presents preliminary forecast of Project tax increment revenues, based on several assumptions noted below:

1) **2001-02 Base Year Value**: Assuming the Plan is adopted prior to July 20, 2002, the Project will collect tax increment revenues from increases in the Project Area assessed value over fiscal year 2001-02. In December 2001, the Orange County Auditor-Controller and State Board of Equalization delivered a report of the estimated base year value of the Project Area. The base year report set the Project Area's base year value at $103,943,351, of which $102,441,937 (99%) is attributed to the AES generating facility that may ultimately be removed from the local roll and the base year value of the Project Area. (See Item 3 below)

2) **Assessed Value Growth Rates**: RSG conservatively applied a 1.5% annual growth rate to forecast future assessed value increases in future years. In addition, as noted below, the projections incorporate specific development assumptions that further increase the Project Area's projected tax increment revenues.

3) **AES Generating Facility Assessment:** Presently, the County Assessor assesses the $102.4 million AES generating facility on the local secured roll, though a recent decision by the State Board of Equalization (Rule 905) will shift this property to the State-assessed utility roll beginning in fiscal year 2002-03.

   In the event that the State Board maintains this shift to the state utility roll, the County Auditor Controller would remove the AES value from the local roll, and the Project Area's base year value would be reduced to $1,501,414. The

Agency would not receive a substantial amount of tax increment revenue from the AES facility, including any future improvements or alterations; property tax revenues collected from the AES facility would be apportioned on a countywide basis. As described in more detail later in this Section, the gross tax increment revenue projected for the Agency could be reduced by approximately 44% (or $66.9 million) over the next 45 years if the AES facility is assessed pursuant to the State Board's new procedures.

However, the City of Huntington Beach and other jurisdictions are currently working with the State to modify its decision to permit the property tax revenues to be State-assessed, but apportioned only to the local affected taxing agencies. The solution the City is seeking would effectively yield the same amount of property tax revenues to the local taxing agencies (and Redevelopment Agency) as if the property remained on the local (County-assessed) secured roll.

This Report analyzes the implications of both assessment scenarios on the Agency's project tax increment revenues. In the event that the AES facility is state assessed and apportioned countywide, the Agency's redevelopment program would be curtailed, but tax increment revenues from the balance of the Project Area, including the redevelopment of the Ascon/NESI landfill, could be used to underwrite a more focused redevelopment program in the Project Area.

4) **Development Assumptions**: RSG incorporated various development assumptions into the revenue forecast. Since specific development proposals are not in place at this time, actual project scope and timing may vary significantly from what is included in this forecast.

The specific projects included in the development assumptions are noted below:

- AES generating facility – Units 3 & 4 Reactivation. In the event that property taxes from the AES generating facility are apportioned to the local affected taxing agencies (rather than on a countywide basis), AES's retooling of Units 3 and 4 would be expected to add a minimum of $75 million to the 2002-03 assessment roll.

- Ascon/NESI landfill Redevelopment. Though up to 502 units are permitted by the Magnolia Pacific Specific Plan, RSG projected additional assessed value increases based on a more probable 371-unit buildout (as described in Section B). According to the property owner, who has conducted some preliminary market research of the area, the single family detached units are anticipated to sell for approximately $500,000, while the attached units are anticipated to sell for about $250,000. RSG is assuming that the project would commence construction in the year 2011.

Projected Tax Increment Revenues

**TABLE E-1**

| Fiscal Year | With AES Facility on Local Roll: Gross Tax Increment | Taxing Agency Payments | Housing Set Aside Deposits | Nonhousing Revenue | Without AES Facility on Local Roll: Gross Tax Increment | Taxing Agency Payments | Housing Set Aside Deposits | Nonhousing Revenue |
|---|---|---|---|---|---|---|---|---|
| | **2001-02 Base Year Value:** | | | **103,943,351** | **2001-02 Base Year Value:** | | | **1,501,414** |
| 2002-03 | - | - | - | - | - | - | - | - |
| 2003-04 | 792,480 | 158,496 | 158,496 | 475,488 | 441 | 88 | 88 | 264 |
| 2004-05 | 819,865 | 163,973 | 163,973 | 491,919 | 666 | 133 | 133 | 400 |
| 2005-06 | 847,662 | 169,532 | 169,532 | 508,597 | 895 | 179 | 179 | 537 |
| 2006-07 | 875,875 | 175,175 | 175,175 | 525,525 | 1,127 | 225 | 225 | 676 |
| 2007-08 | 904,512 | 180,902 | 180,902 | 542,707 | 1,362 | 272 | 272 | 817 |
| 2008-09 | 933,578 | 186,716 | 186,716 | 560,147 | 1,601 | 320 | 320 | 961 |
| 2009-10 | 963,080 | 192,616 | 192,616 | 577,848 | 1,844 | 369 | 369 | 1,107 |
| 2010-11 | 993,025 | 198,605 | 198,605 | 595,815 | 2,091 | 418 | 418 | 1,254 |
| 2011-12 | 1,023,419 | 204,684 | 204,684 | 614,051 | 2,341 | 468 | 468 | 1,404 |
| 2012-13 | 1,433,498 | 286,700 | 286,700 | 860,099 | 381,824 | 76,365 | 76,365 | 229,094 |
| 2013-14 | 1,857,313 | 442,663 | 371,463 | 1,043,187 | 774,583 | 220,900 | 154,917 | 398,766 |
| 2014-15 | 2,295,221 | 603,814 | 459,044 | 1,232,363 | 1,180,971 | 370,451 | 236,194 | 574,326 |
| 2015-16 | 2,747,589 | 770,285 | 549,518 | 1,427,786 | 1,601,345 | 525,149 | 320,269 | 755,927 |
| 2016-17 | 3,214,791 | 942,215 | 642,958 | 1,629,617 | 2,036,074 | 685,129 | 407,215 | 943,730 |
| 2017-18 | 3,278,511 | 965,665 | 655,702 | 1,657,145 | 2,066,834 | 696,448 | 413,367 | 957,018 |
| 2018-19 | 3,343,188 | 989,465 | 668,638 | 1,685,085 | 2,098,055 | 707,938 | 419,611 | 970,506 |
| 2019-20 | 3,408,834 | 1,013,623 | 681,767 | 1,713,444 | 2,129,744 | 719,600 | 425,949 | 984,196 |
| 2020-21 | 3,475,465 | 1,038,143 | 695,093 | 1,742,229 | 2,161,909 | 731,436 | 432,382 | 998,091 |
| 2021-22 | 3,543,096 | 1,063,032 | 708,619 | 1,771,445 | 2,194,556 | 743,450 | 438,911 | 1,012,195 |
| 2022-23 | 3,611,741 | 1,088,293 | 722,348 | 1,801,100 | 2,227,693 | 755,645 | 445,539 | 1,026,510 |
| 2023-24 | 3,681,415 | 1,113,933 | 736,283 | 1,831,199 | 2,261,328 | 768,022 | 452,266 | 1,041,040 |
| 2024-25 | 3,752,135 | 1,139,958 | 750,427 | 1,861,750 | 2,295,466 | 780,585 | 459,093 | 1,055,788 |
| 2025-26 | 3,823,916 | 1,166,373 | 764,783 | 1,892,759 | 2,330,117 | 793,337 | 466,023 | 1,070,757 |
| 2026-27 | 3,896,773 | 1,193,185 | 779,355 | 1,924,233 | 2,365,287 | 806,279 | 473,057 | 1,085,950 |
| 2027-28 | 3,970,723 | 1,220,398 | 794,145 | 1,956,180 | 2,400,985 | 819,416 | 480,197 | 1,101,372 |
| 2028-29 | 4,045,782 | 1,248,020 | 809,156 | 1,988,606 | 2,437,219 | 832,750 | 487,444 | 1,117,025 |
| 2029-30 | 4,121,968 | 1,276,056 | 824,394 | 2,021,518 | 2,473,996 | 846,284 | 494,799 | 1,132,913 |
| 2030-31 | 4,199,296 | 1,304,513 | 839,859 | 2,054,923 | 2,511,324 | 860,021 | 502,265 | 1,149,038 |
| 2031-32 | 4,277,784 | 1,333,397 | 855,557 | 2,088,830 | 2,549,213 | 873,964 | 509,843 | 1,165,406 |
| 2032-33 | 4,357,449 | 1,362,714 | 871,490 | 2,123,246 | 2,587,670 | 888,116 | 517,534 | 1,182,020 |
| 2033-34 | 4,438,309 | 1,401,526 | 887,662 | 2,149,121 | 2,626,704 | 906,852 | 525,341 | 1,194,510 |
| 2034-35 | 4,520,382 | 1,440,922 | 904,076 | 2,175,384 | 2,666,323 | 925,870 | 533,265 | 1,207,189 |
| 2035-36 | 4,603,687 | 1,480,908 | 920,737 | 2,202,042 | 2,706,536 | 945,172 | 541,307 | 1,220,057 |
| 2036-37 | 4,688,240 | 1,521,493 | 937,648 | 2,229,099 | 2,747,353 | 964,764 | 549,471 | 1,233,118 |
| 2037-38 | 4,774,063 | 1,562,688 | 954,813 | 2,256,562 | 2,788,782 | 984,650 | 557,756 | 1,246,376 |
| 2038-39 | 4,861,172 | 1,604,501 | 972,234 | 2,284,437 | 2,830,832 | 1,004,834 | 566,166 | 1,259,832 |
| 2039-40 | 4,949,588 | 1,646,940 | 989,918 | 2,312,730 | 2,873,514 | 1,025,321 | 574,703 | 1,273,490 |
| 2040-41 | 5,039,330 | 1,690,017 | 1,007,866 | 2,341,448 | 2,916,835 | 1,046,115 | 583,367 | 1,287,353 |
| 2041-42 | 5,130,419 | 1,733,739 | 1,026,084 | 2,370,596 | 2,960,806 | 1,067,222 | 592,161 | 1,301,423 |
| 2042-43 | 5,222,874 | 1,778,117 | 1,044,575 | 2,400,182 | 3,005,437 | 1,088,644 | 601,087 | 1,315,705 |
| 2043-44 | 5,316,715 | 1,823,161 | 1,063,343 | 2,430,211 | 3,050,737 | 1,110,389 | 610,147 | 1,330,201 |
| 2044-45 | 5,411,965 | 1,868,881 | 1,082,393 | 2,460,691 | 3,096,717 | 1,132,459 | 619,343 | 1,344,915 |
| 2045-46 | 5,508,643 | 1,915,287 | 1,101,729 | 2,491,628 | 3,143,386 | 1,154,860 | 628,677 | 1,359,849 |
| 2046-47 | 5,606,771 | 1,962,388 | 1,121,354 | 2,523,029 | 3,190,756 | 1,177,597 | 638,151 | 1,375,007 |
| Total | 150,562,140 | 46,623,714 | 30,112,428 | 73,825,998 | 83,683,278 | 29,038,509 | 16,736,656 | 37,908,114 |

If the Plan is adopted, the Agency would collect gross tax increment revenue pursuant to Section 33670 of the Redevelopment Law for a 45-year period. Redevelopment Law requires that the Agency deposit 20% of this gross tax increment revenue into the Agency's Housing Fund. In addition, the Agency would be required to share a portion of its Nonhousing Fund revenues with the affected taxing agencies pursuant to Sections 33607.5 of the Redevelopment Law ("Taxing Agency Payments"). These Taxing Agency Payments would start in the first fiscal year the Agency would receive tax increment revenue from the Project Area (assumed to be fiscal year 2003-04).

According to Section 33607.5 of Redevelopment Law, beginning in the first payment year, the Taxing Agency Payments are equal to 25% of the Project's annual nonhousing tax increment revenue. These Taxing Agency Payments are subject to two subsequent increases. The first increase in Taxing Agency Payments would take effect in the eleventh payment year, when the Agency would be required to pay 21% of the incremental increase in nonhousing tax increment revenues exceeding amounts in the tenth payment year. The Law further provides for a second increase in the Taxing Agency Payments that commences in the thirty-first payment year of 14% of the incremental increase in nonhousing tax increment revenues in excess of the thirtieth year. In total, the Agency will share approximately 31-35% of its gross tax increment revenues with the affected taxing agencies.

The actual amount of the Taxing Agency Payments will vary based on the amount of tax increment revenues collected by the Agency each year. A forecast of Taxing Agency Payments has been included on Table E-1. Should actual tax increment revenues exceed or fall below these projections, actual Taxing Agency Payments would be higher or lower.

Each taxing agency is entitled to their respective share of the Statutory Payment. All agencies receive their share of the Statutory Payments, except for the City of Huntington Beach, which, by Section 33607.5, is only entitled to its share of the first 25% of the Statutory Payments. The following is a list of affected taxing agencies in the Project Area, according to the County's base year report:

1) City of Huntington Beach

2) Huntington Beach City School District

3) Huntington Beach Union High School District

4) Coast Community College District

5) Orange County Municipal Water District

6) Metropolitan Water District

7) Orange County Department of Education

8) Orange County Sanitation District

9) Orange County Water District

10) Orange County Cemetery District

11) Orange County Flood Control District

12) Orange County Transit Authority

13) Orange County Vector Control District

14) Orange County Harbors Beaches & Parks

15) Orange County General Fund

## Economic Feasibility Analysis

As stated earlier in this Section, the Agency might not be entitled to collect a significant amount of tax increment revenue from the AES generating facility if the City is not successful in its efforts to alter the State Board of Equalization's decision affecting power plant assessment and property tax apportionments. In light of this uncertainty, two separate tax increment projections were generated for this Report, one including the AES property, and another excluding the AES property.

Below is a summary (Table E-2) of the projected tax increment revenues over the next 45 years. Table E-2 shows gross tax increment revenues, projected taxing agency payments, housing set aside deposits, and gross nonhousing revenues. In addition, Table E-2 presents conservative estimates of the Agency's administrative costs (based on the 2000-01 budget) and financing costs (assuming most of the projects are financed with tax allocation bonds) to show the amount of net nonhousing funds that could be available for project implementation.

Summary of Projected Tax Increment Revenues **TABLE E-2**

| **45 Year Projections** | **Scenario** With AES Facility | | Without AES Facility | | Difference |
|---|---|---|---|---|---|
| Gross Tax Increment | $ 150,562,140 | 100% | $ 83,683,278 | 100% | $ 66,878,861 |
| Taxing Agency Payments | 46,623,714 | 31% | 29,038,509 | 35% | 17,585,205 |
| Housing Deposits | 30,112,428 | 20% | 16,736,656 | 20% | 13,375,772 |
| Nonhousing Revenue | 73,825,998 | 49% | 37,908,114 | 45% | 35,917,884 |
| Administration /1 | 8,859,120 | 6% | 4,548,974 | 5% | 4,310,146 |
| Financing Costs /2 | 41,342,559 | 27% | 21,228,544 | 25% | 20,114,015 |
| Net Nonhousing Revenue | $ 23,624,319 | 16% | $ 12,130,596 | 14% | $ 11,493,723 |

1/ Based on current ratio of Agency administrative costs to gross nonhousing revenue (per 2000-01 budget)
2/ Based on current ratio of Agency bond debt service interest costs to total debt service payments.

Because the Project Area is relatively small, the majority of the Agency's implementation activities will be funded by tax increment increases from development in the Project Area. If the AES facility is moved to the State-assessed unitary utility roll, the Agency's tax increment revenues would be reduced significantly, and the Agency would need to curtail its housing and nonhousing programs based on the lower revenues. However, the Agency would still be projected to retain approximately $16.7 million in housing fund revenue, plus $12.1 million in net nonhousing revenue for implementation activities. In addition, if the $200 million Poseidon facility is constructed and other properties recycle, the amount of tax increment revenue could exceed these projections.

Though the Agency could elect to fund project implementation on a more gradual, pay-as-you-go basis to retain more of the nonhousing funds for actual project costs, incurring interest costs for bonds or other long-term debt does allow the Agency to expedite projects sooner. Should tax increment revenues fall below or exceed projections, the Agency will alter implementation activities accordingly.

Section
F

# The Method of Relocation

In conjunction with the adoption of the Plan, the Agency prepared and circulated Relocation Guidelines, consisting of the State Relocation Law (Government Code 7260 through 7277), and the California Relocation Assistance and Real Property Acquisition Guidelines as established in the California Code of Regulation, Title 25, Chapter 6 ("State Guidelines").

The Agency does not anticipate that implementation of the Project will result in the relocation of businesses, residents, or local community institutions. If relocation is necessary, the Relocation Guidelines ensure that the Agency will meet its relocation responsibilities to any families, persons, businesses or nonprofit local community institutions to be temporarily or permanently displaced as a consequence of the Plan's implementation.

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 the displaced person or family at rents comparable to those at the time of their displacements.

Section

G

# An Analysis of the Preliminary Plan

The revised Preliminary Plan for the Project ("Preliminary Plan") was approved by the City of Huntington Beach Planning Commission ("Planning Commission") on June 12, 2001. The Preliminary Plan described the boundaries of the Project Area and included general statements of the proposed land uses, layout of principal streets, population densities, building intensities, and building standards. It also addressed how the Plan would attain the purposes of the Redevelopment Law. It discussed the conformance with the General Plan and discussed the impact of the Project upon residents and the surrounding neighborhood.

The Plan conforms with the standards and provisions of the Preliminary Plan, as detailed below:

- Project Area Location and Description: This section of the Preliminary Plan describes the boundaries of the Project Area. The proposed boundaries are identical to those described in the Preliminary Plan.

- General Statement of Proposed Planning Elements: This section of the Preliminary Plan states that Project Area land uses, proposed layouts of principal streets, proposed population densities, proposed building intensities, and proposed building standards shall be subject to and controlled by the General Plan, Zoning Ordinance, and other local codes, as amended from time to time. These planning elements have been incorporated into the Plan. Additionally, the Plan does not propose any changes to population or development densities or land use designations.

- Attainment of the Purposes of the Redevelopment Law: This section of the Preliminary Plan generally sets forth the objectives of the Project Area. To this end, the Plan contains a detailed list of redevelopment goals that permit the Agency to complete its redevelopment program to eliminate persisting blighting conditions in the Project Area in accordance with the Redevelopment Law.

- Conformance to the General Plan: Both the Preliminary Plan and Plan conform to the standards, policies and provisions of the General Plan, as they exist or are hereafter amended.

- General Impact of the Proposed Project Upon the Residents of the Project Area and Surrounding Neighborhoods: This section of the Preliminary Plan states that residents in and around the Project Area will benefit from improved traffic circulation, public facilities and services, environmental quality, employment opportunity and economic development activity effectuated by implementation of the Plan. Other impacts associated with the implementation of the Plan have been assessed and analyzed in the Environmental Impact Report on the Plan, included in Section K of this Report, and the Neighborhood Impact Report, incorporated in Section M of this Report. The Plan provides the Agency with the redevelopment tools and policies necessary to achieve positive impacts and mitigate negative impacts.

Section

H

# The Report and Recommendations of the Planning Commission

On April 9, 2002, the Planning Commission adopted Resolution No. 1570 as its report and recommendation on the draft Plan. A copy of the Planning Commission's Resolution follows this page.

**RESOLUTION NO. 1570**

**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF HUNTINGTON BEACH MAKING ITS REPORT AND RECOMMENDATION ON THE PROPOSED SOUTHEAST COASTAL REDEVELOPMENT PLAN**

WHEREAS, the Redevelopment Agency of the City of Huntington Beach ("Agency") and the City Council of the City of Huntington Beach ("City Council") are preparing and considering the adoption of a Redevelopment Plan for the Southeast Coastal Redevelopment Project ("Plan"); and

The Planning Commission did adopt Resolution 1563 on June 12, 2001, approving a revised Preliminary Plan for the Southeast Coastal Redevelopment Project; and

Section 33346 of the California Community Redevelopment Law ("Law") provides that before the proposed Plan is submitted to the City Council for consideration, it shall be first submitted to the Planning Commission for its report and recommendation concerning the Plan and its conformity to the City's General Plan; and

Section 65402 of the Government Code provides in part:

(a) "If a general plan or part thereof has been adopted, no real property shall be acquired by dedication or otherwise for street, square, park, or other public purposes, and no real property shall be disposed of, no street shall be vacated or abandoned, and no public building shall be constructed or authorized, if the adopted general plan or part thereof applies thereto, until the location, purpose and extent of such acquisition or disposition, such street vacation or abandonment, or such public building or structure have been submitted to and reported upon by the planning agency as to conformity with said adopted general plan or part thereof...

(b) A local agency shall not acquire real property for any of the purposes specified in paragraph (a) nor dispose of any real property, nor construct or authorize a public building or structure, in any county or city, if such county or city has adopted a general plan or part thereof is applicable thereto, until the location, purpose and extent of such acquisition, disposition, or such public building or structure have been submitted to and reported upon by the planning agency having jurisdiction, as to conformity with said adopted general plan or part thereof..."; and

The Planning Commission has received and reviewed the Plan in the form attached hereto as Exhibit "A"; and

The proposed boundaries of the Project Area ("Project Area") incorporate territories within the jurisdiction of the City of Huntington Beach General Plan; and

The Plan proposes land use controls, permitted uses, public uses, interim uses, and general land use controls and limitations, in a manner consistent with applicable City General Plan policies as follows:

1. Section 518 of the Plan provides that public improvements to be undertaken by the Agency are identified in the General Plan and capital improvement programs, and incorporates said documents by reference; and,

2. Section 527 of the Plan provides that all development, whether public or private, must conform to this Plan and all applicable federal, State, and local laws, including without limitation the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

3. Section 528 of the Plan provides that all real property sold, leased or conveyed by the Agency, as well as property subject to Owner Participation Agreements between the Agency and property owners, shall be made subject to the provisions of the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

4. Section 601 of the Plan provides that the land uses permitted by this Plan shall be those permitted by the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

5. Section 604 of the Plan provides that the street system in the Project Area shall be developed in accordance with the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

6. Section 606 of the Plan provides that any interim uses shall conform to the General Plan, zoning ordinance, and all other state and local building codes, guidelines or specific plans as they now exist or are hereafter amended; and,

7. Section 607 of the Plan provides that no real property shall be developed, redeveloped, rehabilitated, or otherwise changed after the date of the adoption of this Plan except in conformance with the goals and provisions of this Plan and the regulations and requirements of the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

8. Section 608 of the Plan also provides that the type, size, height, number, and use of buildings in the Project Area will be controlled by the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended; and,

9. Section 611 of the Plan provides that the number of dwelling units in the Project Area shall be regulated by the General Plan; and,

10. Section 612 of the Plan provides that the amount of open space in the Project Area is to be the areas so designated by the General Plan, zoning ordinance, and all other state and local building codes, guidelines, or specific plans as they now exist or are hereafter amended.

NOW, THEREFORE, the Planning Commission of the City of Huntington Beach hereby reports, finds, and determines that the Redevelopment Plan for the Southeast Coastal Redevelopment Project conforms to the City of Huntington Beach General Plan.

The Planning Commission hereby recommends that the City Council and Agency adopt the Redevelopment Plan for the Southeast Coastal Redevelopment Project.

The Planning Commission hereby finds and determines, pursuant to Section 65402 of the Government Code, that the location, purpose, and extent of any acquisition or disposition of real property for street, square, park, or other public purpose by the Agency for the purpose of carrying out the Redevelopment Plan conforms to the General Plan of the City.

The Planning Commission hereby authorizes and directs the officers, employees, staff, consultants, and attorneys for the Planning Commission to take any and all actions that may be necessary to effectuate the purposes of this resolution or which are appropriate or desirable in the circumstances. In the event that prior to the adoption of the Plan, the Agency or City Council desire to make any minor, technical, or clarifying changes to the Plan, the Planning Commission hereby finds and determines that any such minor, technical, or clarifying changes need not be referred to it for further report and recommendation.

This Resolution shall constitute the report and recommendation of the Planning Commission on the Redevelopment Plan to the Agency and City Council pursuant to Section 33346 of the Law.

**PASSED AND ADOPTED** by the Planning Commission of the City of Huntington Beach at a regular meeting thereof on the 9th day of April, 2002.

| | |
|---|---|
| AYES: | Mandic, Kerins, Hardy, Shomaker, Livengood, Kokal, Porter |
| NOES: | None |
| ABSENT: | None |
| ABSTAIN: | None |

ATTEST:

Howard Zelefsky, Secretary

Jan Shomaker

Planning Commission Chairperson

Section

I

# Report and Recommendation of the Project Area Committee

The Project Area does not include any housing units currently, and the Plan does not propose projects that could eliminate any affordable residential units in the Project Area. Therefore, no project area committee was formed. As a result, there is no report or recommendation from the project area committee.

However, the Agency engaged the community in a substantial public participation effort over the past 18 months, including three meetings with the City Council Southeast Committee, town hall meetings in the Southeast area, meetings with the Southeast Huntington Beach Neighborhood Association, face-to-face meetings between staff and interested residents and property owners.

On April 29, 2002, the fourth Southeast Subcommittee community workshop is planned. The purpose of the workshop is to present the proposed Plan and discuss issues. Notice of the workshop and joint public hearing (scheduled for May 20, 2002) will be mailed to all Project Area property owners, business owners, affected taxing agencies, and nearby residents within a 500-foot radius of the Project Area. Agency staff has posted several documents relating to the proposed Plan on the City's website (www.hbbiz.com/searea.htm). Finally, all meetings associated with the Plan adoption effort thus far, including several Planning Commission, Agency, and City Council meetings, have been open and available to the public, and records of all such meetings have been maintained by Agency staff.

Section

J

# A Statement of Conformance to the General Plan

On April 9, 2002, the Planning Commission adopted Resolution No. 1570 determining that the draft Plan and implementation activities described therein are in conformity with the General Plan of the City, pursuant to Government Code Section 65402. A copy of the Planning Commission resolution is included in Section H of this Report.

Section

K

# The Environmental Impact Report

A program environmental impact report ("EIR") for the Plan (State Clearinghouse No. 2001-091144) was prepared by RBF Consulting. The EIR reviewed all potential environmental impacts associated with the implementation of the Plan.

Topics addressed in the EIR included: Land Use/Relevant Planning; Transportation/Circulation; Aesthetics/Light and Glare; Biological Resources; Geology, Soils and Seismicity; Noise; Air Quality; Human Health/Risk of Upset; Public Services and Utilities; and Cultural Resources. Additionally, the EIR addressed all other sections as required by the California Environmental Quality Act (CEQA).

A copy of the EIR is included under separate cover and incorporated herein by reference.

Section

L

# Report of the County Fiscal Officer

On October 30, 2001, the County Auditor-Controller provided the Agency a report prepared in accordance with Section 33328 of the Redevelopment Law, using the 2001-02 equalized roll as the “base year” assessment roll for the purposes of calculating tax increment. In addition, on August 28, 2001, the State Board of Equalization submitted a similar report for state-assessed nonunitary assessed values in the Project Area. Together, the County and State Board of Equalization report that the total Project Area secured, unsecured, and state-assessed value in 2001-02 is $103,943,351.

Copies of the base year reports prepared by the County Auditor-Controller and State Board of Equalization follow this page.

**DAVID E. SUNDSTROM, CPA**
AUDITOR -CONTROLLER

Hall Of Finance & Records
12 Civic Center Plaza
P.O. Box 567
Santa Ana, California 92702-0567

(714) 834-2450 FAX: (714) 834-2569

**AUDITOR-CONTROLLER**

October 30, 2001

**RECEIVED**

NOV 01 2001

CITY OF HUNTINGTON BEACH
ADMINISTRATIVE OFFICE

Huntington Beach Redevelopment Agency
2000 Main Avenue
Huntington Beach, CA 92648

Attention: Ray Silver, Executive Director

Subject: Fiscal Impact Report for the City of Huntington Beach Proposed Huntington Beach Southeast Coastal Redevelopment Project

Pursuant to Section 33328 et seq. of the California Health and Safety Code, please find enclosed your copy of the Fiscal Impact Report for the proposed redevelopment project.

Further inquiries may be directed to:

County of Orange
Auditor-Controller's Office
Attn: Tax Unit
12 Civic Center Plaza
P.O. Box 567
Santa Ana, CA 92702-0567

Lindsey Brede
Accountant-Auditor II

/lb
Enclosure

RECEIVED

NOV 02 2001

DEPARTMENT OF
ECONOMIC DEVELOPMENT

D:\My Documents\Typing\Fiscal Impact – Huntington Beach Southeast RDA

The attached letter and enclosure were also sent to the following:

Bill Mahoney, CEO
Robert Austin, County Counsel
Bob Wilson, PFRD
Huntington Beach Union School District
Coast Community College District
Metro Water District
Municipal Water District - Orange County
Orange County Cemetery District
Orange County Department Of Education, Wendy Margarita
Orange County Sanitation District #11
Orange County Transit Authority
Orange County Vector Control District
Orange County Water District
Huntington Beach Elementary School District
Huntington Beach City

# Huntington Beach - Southeast RDA

## Fiscal Impact Report Index



SUPPORTING WORKSHEETS:

## TABLE I - HEALTH & SAFETY - CODE 33328 (A)

### Huntington Beach - Southeast RDA

### 2001-02 BASE YEAR ASSESSMENT ROLL

| | |
|---|---|
| Secured Assessed Value - Local Roll | 103,323,568.00 |
| State Board of Equalization - Public Utility Roll | 0 |
| Unsecured Assessed Value - Local Roll | 619,783.00 |
| Total Assessed Value within the Project | 103,943,351.00 |

## TABLE II - HEALTH & SAFETY - CODE 33328 (B)

### Huntington Beach - Southeast RDA

### REPORT OF IDENTIFICATION OF TAXING DISTRICTS WITHIN THE PROJECT

| District Number | Agency Name |
|---|---|
| 054A | HUNTINGTON BEACH CITY |
| 312A | HUNTINGTON BEACH SCHOOL DIST |
| 310A | HUNTINGTON BEACH UNION HIGH DIST |
| 300B | COAST COMMUNITY COLLEGE |
| 863B | MUNI WATER DIST ORANGE CO |
| 820P | METROPOLITAN WATER DIST |
| 600A | OC DEPT OF EDUCATION |
| 916J | OC SANITATION DIST #11 |
| 960A | OC WATER DIST |
| 961A | OC WATER DIST RESERVE |
| 703A | OC CEMETERY DIST |
| 710A | OC FLOOD CONTROL DIST |
| 708A | OC TRANSIT AUTHORITY |
| 744A | OC VECTOR CONTROL |
| 713A | OC HARBOR BEACHES & PARKS |
| 001C | OC GENERAL FUND |

TABLE III - HEALTH & SAFETY - CODE 33328 (C)

Huntington Beach - Southeast RDA

REPORT OF 2001-02 BASE YEAR REVENUE EACH DISTRICT CAN EXPECT FROM WITHIN THE PROJECT

| District Number | Agency Name | Basic Levy Revenue | Bonded Indebtedness Revenue | Total 2001-02 Revenue |
|---|---|---|---|---|
| 054A | HUNTINGTON BEACH CITY | $ 161,645.41 | $ 305.55 | $ 161,950.96 |
| 312A | HUNTINGTON BEACH SCHOOL DIST | $ 231,638.26 | $ - | 231,638.26 |
| 310A | HUNTINGTON BEACH UNION HIGH DIST | $ 228,182.39 | $ - | 228,182.39 |
| 300B | COAST COMMUNITY COLLEGE | $ 96,396.70 | $ - | 96,396.70 |
| 863B | MUNI WATER DIST ORANGE CO | $ - | $ - | - |
| 820P | METROPOLITAN WATER DIST | $ - | $ 7,994.32 | 7,994.32 |
| 600A | OC DEPT OF EDUCATION | $ 13,945.62 | $ - | 13,945.62 |
| 916J | OC SANITATION DIST #11 | $ 25,356.65 | $ - | 25,356.65 |
| 960A | OC WATER DIST | $ 8,383.07 | $ - | 8,383.07 |
| 961A | OC WATER DIST RESERVE | $ 111.11 | $ - | 111.11 |
| 703A | OC CEMETERY DIST | $ - | $ - | - |
| 710A | OC FLOOD CONTROL DIST | $ 19,780.43 | $ - | 19,780.43 |
| 708A | OC TRANSIT AUTHORITY | $ 2,807.12 | $ - | 2,807.12 |
| 744A | OC VECTOR CONTROL | $ 1,117.19 | $ - | 1,117.19 |
| 713A | OC HARBOR BEACHES & PARKS | $ 15,289.67 | $ - | 15,289.67 |
| 001C | OC GENERAL FUND | $ 61,657.49 | $ - | 61,657.49 |
| | ERAF (Educational Revenue Augmentation Fun | $ 171,026.45 | $ - | 171,026.45 |
| | **TOTALS** | $ 1,037,337.55 | $ 8,299.87 | $ 1,045,637.42 |

# TABLE IV - HEALTH & SAFETY - CODE 33328 (D)

## Huntington Beach - Southeast RDA

## REPORT OF TOTAL AD VALOREM REVENUE EACH DISTRICT

## HAS AVAILABLE FROM WITHIN AND OUTSIDE THE PROJECT

The revenue data necessary to complete this section of the Fiscal Impact Report does not currently exist because of the impact of Assembly Bill 8. An inordinate manual effort and expense would be required of the County Auditor-Controller's staff to gather any reliable substitute data. Therefore, the Fiscal Impact Report does not contain the total Ad Valorem Revenue information for the project area.

There has been included, however, a supplemental table of comparative assessed values for each taxing district to give a relative indication of Base Year Revenue percentage given up to the Community Redevelopment Agency.

See Table IV (D), Supplement.

TABLE IV - HEALTH & SAFETY - CODE 33328 (D) SUPPLEMENT

Huntington Beach - Southeast RDA

REPORT OF BASE YEAR 2001-02 CRA A.V. PERCENTAGE RELATIONSHIP TO TOTAL TAXING DISTRICT'S A.V.

| District Number | Agency Name | Taxing District's A.V. Within the Project | Taxing District's A.V. - County-Wide | Percentage of Project A.V. To District A.V. |
|---|---|---|---|---|
| 054A | HUNTINGTON BEACH CITY | 103,733,755 | 17,243,141,322 | 0.6016 |
| 312A | HUNTINGTON BEACH SCHOOL DIST | 103,733,755 | 8,439,430,851 | 1.2292 |
| 310A | HUNTINGTON BEACH UNION HIGH DIST | 103,733,755 | 23,913,546,876 | 0.4338 |
| 300B | COAST COMMUNITY COLLEGE | 103,733,755 | 58,152,976,514 | 0.1784 |
| 863B | MUNI WATER DIST ORANGE CO | 103,733,755 | 162,458,656,995 | 0.0639 |
| 820P | METROPOLITAN WATER DIST | 103,733,755 | 244,142,573,331 | 0.0425 |
| 600A | OC DEPT OF EDUCATION | 103,733,755 | 244,518,909,885 | 0.0424 |
| 916J | OC SANITATION DIST #11 | 103,733,755 | 11,477,876,181 | 0.9038 |
| 960A | OC WATER DIST | 103,733,755 | 142,137,769,368 | 0.0730 |
| 961A | OC WATER DIST RESERVE | 103,733,755 | 142,022,518,758 | 0.0730 |
| 703A | OC CEMETERY DIST | 103,733,755 | 244,518,909,885 | 0.0424 |
| 710A | OC FLOOD CONTROL DIST | 103,733,755 | 244,183,948,214 | 0.0425 |
| 708A | OC TRANSIT AUTHORITY | 103,733,755 | 244,518,909,885 | 0.0424 |
| 744A | OC VECTOR CONTROL | 103,733,755 | 244,485,738,164 | 0.0424 |
| 713A | OC HARBOR BEACHES & PARKS | 103,733,755 | 244,518,909,885 | 0.0424 |
| 001C | OC GENERAL FUND | 103,733,755 | 244,518,909,885 | 0.0424 |
| | ERAF (Educational Revenue Augmentation Fund) | 103,733,755 | 244,518,909,885 | 0.0424 |

One Percent = 1.0000

# TABLE V - HEALTH & SAFETY - CODE 33328 (E)

## Huntington Beach - Southeast RDA

## REPORT OF AGENCY'S REVENUE IN FIRST YEAR

The Auditor-Controller has been advised by the Community Redevelopment Agency that approximately $150 million of major improvements will be completed within the Project boundaries during the first year, and therefore, we anticipate the growth in value of the area within the Project boundaries to increase by 2-100 percent.
Source: Carol Runzel

| | Agency Name | 2001-02 Base Year Total Revenue | 2002-03 Tax Increment Rev. Estimate | 2002-03 Tax Increment Rev Estimate |
|---|---|---|---|---|
| | | | 2% growth | 100% growth |
| 1 | HUNTINGTON BEACH CITY | $ 162,277.57 | $ 3,245.55 | 162,277.57 |
| 2 | HUNTINGTON BEACH SCHOOL DIST | $ 232,106.29 | 4,642.13 | 232,106.29 |
| 3 | HUNTINGTON BEACH UNION HIGH DIST | $ 228,643.44 | 4,572.87 | 228,643.44 |
| 4 | COAST COMMUNITY COLLEGE | $ 96,591.47 | 1,931.83 | 96,591.47 |
| 5 | MUNI WATER DIST ORANGE CO | $ - | - | - |
| 6 | METROPOLITAN WATER DIST | $ 8,010.46 | 160.21 | 8,010.46 |
| 7 | OC DEPT OF EDUCATION | $ 13,973.80 | 279.48 | 13,973.80 |
| 8 | OC SANITATION DIST #11 | $ 25,407.88 | 508.16 | 25,407.88 |
| 9 | OC WATER DIST | $ 8,400.01 | 168.00 | 8,400.01 |
| 10 | OC WATER DIST RESERVE | $ 111.34 | 2.23 | 111.34 |
| 11 | OC CEMETERY DIST | $ - | - | - |
| 12 | OC FLOOD CONTROL DIST | $ 19,820.40 | 396.41 | 19,820.40 |
| 13 | OC TRANSIT AUTHORITY | $ 2,812.79 | 56.26 | 2,812.79 |
| 14 | OC VECTOR CONTROL | $ 1,119.45 | 22.39 | 1,119.45 |
| 15 | OC HARBOR BEACHES & PARKS | $ 15,320.56 | 306.41 | 15,320.56 |
| 16 | OC GENERAL FUND | $ 61,782.07 | 1,235.64 | 61,782.07 |
| 17 | 0 | $ - | - | - |
| 18 | 0 | $ - | - | - |
| 19 | 0 | $ - | - | - |
| 20 | 0 | $ - | - | - |
| 21 | 0 | $ - | - | - |
| 22 | 0 | $ - | - | - |
| 23 | 0 | $ - | - | - |
| 24 | 0 | $ - | - | - |
| 25 | 0 | $ - | - | - |
| 26 | 0 | $ - | - | - |
| 27 | 0 | $ - | - | - |
| 28 | 0 | $ - | - | - |
| 29 | ERAF | $ 171,372.01 | 3,427.44 | 171,372.01 |
| | **TOTAL** | $ 1,047,749.52 | $ 20,955.01 | $ 1,047,749.54 |

## TABLE VI - HEALTH & SAFETY - CODE 33328 (F)

### Huntington Beach - Southeast RDA

### REPORT OF ASSESSED VALUATION BY BLOCK WITHIN THE PROJECT

Health and Safety Code, Section 33328(f) requires if requested by the agency: "The assessed valuation of the project area, by block, for the proceding five years, except for state assessed property on the board roll."

The assessed valuation data necessary to complete this section of the Fiscal Impact Report does not exist because the valuation files maintained by the County do not contain historical assessed values by block. Therefore, this Fiscal Impact Report does not contain the preceding five-year assessed valuation information for the proposed project area.

We are, however, providing five-year assessed valuation information for the entire city:

| City of Huntington Beach | TOTAL SECURED | UNSECURED | TOTAL | % GROWTH |
|---|---|---|---|---|
| FCV 2001-02 | 16,535,171,899 | 707,969,423 | 17,243,141,322 | 8.2% |
| FCV 2000-01 | 15,301,793,612 | 641,031,393 | 15,942,825,005 | 8.6% |
| FCV 1999-00 | 14,066,153,506 | 608,976,863 | 14,675,130,369 | 8.4% |
| FCV 1998-99 | 12,967,510,182 | 572,508,629 | 13,540,018,811 | 4.4% |
| FCV 1997-98 | 12,340,329,136 | 624,469,909 | 12,964,799,045 | 5.4% |
| FCV 1996-97 | 11,767,662,731 | 537,418,063 | 12,305,080,794 | -0.4% |
| FCV 1995-96 | 11,819,788,878 | 538,559,168 | 12,358,348,046 | 0.4% |
| FCV 1994-95 | 11,714,303,985 | 599,842,201 | 12,314,146,186 | 0.1% |
| FCV 1993-94 | 11,700,330,132 | 599,505,142 | 12,299,835,274 | N/A |

| ENTIRE TRA 04-001 | TOTAL SECURED | UNSECURED | TOTAL | % GROWTH |
|---|---|---|---|---|
| FCV 2001-02 | 5,282,147,226 | 187,390,872 | 5,469,538,098 | 10.2% |
| FCV 2000-01 | 4,821,948,021 | 141,507,660 | 4,963,455,681 | 8.7% |
| FCV 1999-00 | 4,425,402,582 | 142,623,582 | 4,568,026,164 | 8.5% |
| FCV 1998-99 | 4,083,750,666 | 128,162,786 | 4,211,913,452 | 6.0% |
| FCV 1997-98 | 3,789,322,098 | 182,689,341 | 3,972,011,439 | 6.5% |
| FCV 1996-97 | 3,620,059,720 | 110,911,242 | 3,730,970,962 | N/A |

FCV = Full Cash Value

**PORTION OF TRA 04-001 IN RDA**

| | TOTAL SECURED | UNSECURED | TOTAL | % GROWTH |
|---|---|---|---|---|
| FCV 2001-02 | 103,323,568 | 619,783 | 103,943,351 | 2.70% |
| FCV 2000-01 | 101,059,935 | 114,532 | 101,174,467 | 7421.90% |
| FCV 1999-00 | 1,261,961 | 83,107 | 1,345,068 | N/A |

**Taxable Assessed Value of the Huntington Beach - Southeast RDA**

| | 2001-02 | 2000-01 | % GROWTH |
|---|---|---|---|
| Secured Assessed Value - Local | 103,323,568 | 101,059,935 | 2.2% |
| Public Utility Roll - State Board of Equalization | 0* | N/A | N/A |
| Unsecured Roll | 619,783 | 114,532 | 441.1% |
| **TOTALS** | 103,943,351 | 101,174,467 | 2.7% |

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

TAX AREA SERVICES SECTION
450 N Street, MIC: 59
P. O. Box 942879
Sacramento, CA 94279-0059

Telephone: (916) 322-7185
FAX: (916) 327-4251





August 28, 2001

Honorable David E. Sundstrom
Orange County Auditor
P.O. Box 567
Santa Ana, CA 92702-0567

Dear Mr. Sundstrom:

Pursuant to Section 33328 et seq. of the Health and Safety Code, the 2001-2002 assessed values of railroads and the non-operating, non unitary assessed values of state-assessed property located within the boundaries of the proposed **Southeast Coastal Redevelopment Project Within the City of Huntington Beach** are zero.

These values will continue to be valid if the project boundaries remain fixed. The ordinance adopting and approving the redevelopment plan for this project becomes effective prior to August 20, 2002.

If you have any questions regarding this matter, please contact me at (916) 322-7185.

Sincerely,

David J. Martin

David J. Martin, Supervisor
Tax Area Services Section

DJM:ah

cc: Mr. Brian Haworth
Mr. Ray Silver



Values/1/99

Section

M

# Neighborhood Impact Report

Redevelopment Law requires that a Neighborhood Impact Report discuss the impact the Plan will have on low and moderate income persons or families in the following areas: relocation, traffic circulation, environmental quality, availability of community facilities and services, effect on school population and quality of education, property assessments and taxes, and other matters affecting the physical and social quality of the neighborhood.

Additional issues that the neighborhood impact report must address include: the number of low or moderate-income dwelling units to be removed or destroyed; the number of low or moderate income persons or families expected to be displaced; the general location of housing to be rehabilitated, developed or constructed; the number of dwelling units planned for construction or rehabilitation to house persons and families of low or moderate income (other than replacement housing); the projected means of financing the aforementioned dwelling units; and the projected timetable for meeting the Plan's relocation, rehabilitation, and replacement housing objectives.

Implementation of the Project will have a beneficial impact on the Project Area and adjoining neighborhoods. Although the concept to explore redevelopment as a way to clean-up the area was made by the City's Administration, after the formation of the Southeast Area Committee and discussions with the community, the Project Area property owners and nearby residents offered the initial interest to move forward through the redevelopment plan adoption process. The community is interested in judiciously using all available community development programs to enhance the character and quality of the City.

## Relocation

At this time, the Agency does not have any plans to relocate residents or businesses in the Project Area. If relocation activities are undertaken, the Agency will handle those activities on a case-by-case basis, in accordance with its method of relocation, as contained in Section F of this Report. As a public agency formed under the provisions of state law, the Agency is required to adhere to the State Relocation Law (Government Code Sections 7260 through 7277) and follow the California Relocation Assistance and Real Property Acquisition Guidelines ("State Guidelines") as established in the California Code of Regulations, Title 25, Chapter 6.

Prior to commencement of any acquisition activity that may cause substantial displacement of residents, the Agency will adopt a specific relocation plan in conformance with the State Guidelines. To the extent appropriate, the Agency may supplement those provisions provided in the State Guidelines to meet particular relocation needs of a specific project. Such supplemental policies, if adopted in the Agency's sole discretion, will not involve reduction, but instead enhancement of the relocation benefits required by State Law.

## Traffic Circulation

Transportation and circulation impacts resulting from the adoption and implementation of the Plan are discussed in Section 4.2 of the EIR.

The Plan does not provide for the direct development of any private or public development projects that would generate traffic and impact existing levels of service of any roadways in the Project Area. However, the development of projects would indirectly generate traffic both during and after project construction, impacting existing levels of service on road segments and intersections that serve the Project both within and outside its boundaries.

The City's General Plan will control the land use designations and intensities of the Plan; its implementation will not create locally or cumulatively significant impacts beyond what is anticipated under the General Plan. It will also not alter or intensify the General Plan's land uses, traffic generation, levels of service, or intersection capacities. As a result, no traffic or circulation impacts were forecast in the EIR that were not considered by the General Plan EIR. The Agency, via the Plan, will adhere to policies in the circulation element of the General Plan in lessening traffic and circulation impacts.

The Plan permits the Agency to construct improvements to improve traffic circulation. In the absence of the Plan, such improvements may be delayed indefinitely because of the City's lack of financial resources in funding the improvements. Several projects related to circulation and traffic improvements are listed in the Plan and are enumerated in Section A of this Report. These improvements include, but are not limited to modifications to roadway widths, construction of curbs, gutters, street lights, and sidewalks, and installation and improvements to water lines. These projects proposed by the Agency will improve circulation, mitigate traffic deficiencies, and provide general benefits to the Project Area consistent with the circulation element of the General Plan.

## Environmental Quality

The EIR reviewed the impacts of the Plan, including the potential new development and public improvements that could be facilitated by the Agency. The EIR is incorporated herein by reference. The EIR analyzed the following ten areas:

- Land Use/Relevant Planning;
- Transportation/Circulation;

- Aesthetics/Light and Glare;
- Biological Resources;
- Geology, Soils and Seismicity;
- Noise;
- Air Quality;
- Human Health/Risk of Upset;
- Public Services and Utilities; and
- Cultural Resources

Because the Plan does not propose uses or intensities beyond the General Plan, adherence to adopted General Plan policies will ensure that implementation of the Plan will lessen or avoid potential impacts. Where applicable, the EIR outlines mitigation measures which will be required of future development. This will assure that the quality of the environment is maintained.

During implementation of the Plan, specific redevelopment proposals may warrant further specific environmental analysis as required by the California Environmental Quality Act, Public Resources Code Sections 21000, et seq. ("CEQA").

### Availability of Community Facilities and Services

The EIR determined that the Plan would not have a significant impact on public facilities including fire protection, police, water, wastewater, storm drain, and solid waste services.

The Plan provides that any redevelopment activity is to be subject to, and consistent with, the policies set forth in the City's General Plan, Zoning Ordinance, and local codes and ordinances, as they now exist or are hereafter amended; the General Plan incorporates policies to mitigate impacts on public services and facilities. As outlined in Section A of this Report, implementation of the Plan and its proposed projects are expected to improve the City's existing community facilities and services. The Plan will allow the Agency to utilize tax increment revenues to provide for the upgrading of existing, and construction of new, community facilities, which will be of benefit to the Project Area.

### Effect on School Population and Quality of Education

The Project Area is served by the Huntington Beach Union High School District and the Huntington Beach City School District (collectively, the "Districts"). Section 4.9 of the EIR describes the direct and cumulative impacts of the Plan's implementation on area schools.

The EIR indicates that development fees and/or land set-asides for schools would be sufficient to fund these facilities. Redevelopment Law also provides the Districts with statutory payments from generated tax increment, irrespective of whether the Districts suffer impacts from Plan adoption. This revenue may be used for capital and operational purposes, including school facilities.

Plan implementation will not result in excess development of that allowed by the City's General Plan. Therefore, the adoption of the Plan will not cause the Project Area to generate more students than could occur in connection with development allowed in the General Plan. The City has adopted policies in the General Plan to mitigate impacts of General Plan buildout on schools; implementation of the Plan will adhere to the General Plan policies to mitigate impacts on schools.

## Property Taxes and Assessments

The Plan calls for various methods of financing its implementation. Because redevelopment agencies do not have the constitutional authority to impose taxes, implementation of the Plan will not cause an increase in property tax rates. Rather, the principal method of financing redevelopment will be the utilization of tax increment revenues generated by the Project Area. Tax increment financing reallocates property tax revenues generated by increases in the assessed value of property in the Project Area. Although redevelopment of the Project Area will increase the assessed valuation, Project Area property owners will not experience increases in property taxes beyond those normally allowed by other state law and state constitutional provisions.

## Low and Moderate Income Housing Program

A. *Number of Dwelling Units Housing Low and Moderate Income Households Expected to be Destroyed or Removed by the Project*

   At this time, the Agency does not expect that implementation of the Project would cause the removal of any Project Area housing. No housing units are currently located in the Project Area.

B. *Number of Persons and Families of Low and Moderate Income Expected to be Displaced by the Project*

   As discussed above, the Agency estimates that no households of low and moderate income will be displaced by the implementation of the Plan.

C. *General Location of Replacement Low and Moderate Income Housing to be Rehabilitated, Developed and Constructed*

   Because the Agency does not anticipate removing or demolishing any housing units in the Project Area, no replacement housing would be needed.

D. *Number of Dwelling Units Housing Persons of Low and Moderate Income Planned for Construction or Rehabilitation Other than Replacement Housing*

As discussed in Section E of this Report, the Project Area is projected to generate as much as $30 million in housing fund revenues. The Agency will invest its housing fund resources into a variety of housing programs described in Section A of this Report. At this time, the Agency does not have any specific plans for construction or rehabilitation of any low and moderate-income units in the Project Area.

*E. Projected Means of Financing Rehabilitation and New Construction of Housing for Low and Moderate Income Households*

The Agency intends to utilize not less than 20% of its tax increment revenues to finance the rehabilitation, construction, purchase, and mortgage assistance of housing for low and moderate income households, in accordance with the provisions of the Redevelopment Law as it now exists or may hereafter be amended. The Agency will also cooperate with the City to pool funds and resources beyond the tax increment set aside funds if it is determined to be necessary by both bodies in order to improve the City's affordable housing stock.

*F. Projected Timetable for Meeting the Plan's Relocation, Rehabilitation and Replacement Housing Objectives*

Implementation of the Plan should not cause the Agency to relocate or remove and thus replace, any Project Area housing. The time frame for rehabilitating units pursuant to the Plan will be subject to the availability of housing fund revenues. Rehabilitation activities will be gradually phased over the 30-year duration of the Plan.

Section

N

# A Summary of the Agency's Consultations with Affected Taxing Entities and a Response to Said Entities' Concerns Regarding the Plan

According to the Orange County Auditor-Controller's office, the following 15 taxing entities levy taxes within the Project Area:

1) City of Huntington Beach

2) Huntington Beach City School District

3) Huntington Beach Union High School District

4) Coast Community College District

5) Orange County Municipal Water District

6) Metropolitan Water District

7) Orange County Department of Education

8) Orange County Sanitation District

9) Orange County Water District

10) Orange County Cemetery District

11) Orange County Flood Control District

12) Orange County Transit Authority

13) Orange County Vector Control District

14) Orange County Harbors Beaches & Parks

15) Orange County General Fund

On October 16, 2001, these entities were mailed, via certified mail, the Statement of Preparation of the Redevelopment Plan. On January 24, 2002, the Preliminary Report and Draft Redevelopment Plan were transmitted via certified mail to the taxing entities. Finally, all taxing agencies will receive the notice of joint public hearing scheduled for May 20, 2002, also via certified mail. As a part of each of these three transmittals, the Agency offered to consult with the affected taxing entities pursuant to Section 33328 of Redevelopment Law.

Aside from comments addressing the Environmental Impact Report, the Agency has not yet been contacted by any taxing entities regarding the proposed Plan.