



MEETING DATE: 5/05/08

ITEM NO: 9

REDEVELOPMENT AGENCY AGENDA REPORT

DATE: April 28, 2008

TO: CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: GREG LARSON, EXECUTIVE DIRECTOR *Greg Larson*

SUBJECT: CONSIDER AND APPROVE THE REDEVELOPMENT AGENCY MIDTERM REVIEW OF THE FIVE YEAR IMPLEMENTATION PLAN AND AFFORDABLE HOUSING PRODUCTION PLAN FOR THE CENTRAL LOS GATOS REDEVELOPMENT PROJECT FOR THE PERIOD OF JULY 1, 2004 TO JUNE 30, 2009.

RECOMMENDATION:

1. Open and hold the public hearing and receive public testimony.
2. Close the public hearing.
3. Adopt the attached resolution (Attachment 1) approving the Five Year Implementation Plan and Affordable Housing Production Plan Midterm Review for the Central Los Gatos Redevelopment Project for the period of July 1, 2004 to June 30, 2009.

BACKGROUND:

The Los Gatos Redevelopment Agency (Agency) originally adopted its Implementation Plan in 1994. In 1997, the Plan was reviewed and amended to add public parking as one of the activities contemplated in the plan. Beginning in 1999, the Agency was developing detailed capital improvement programs for the Project Area, and these were adopted and used as the Agency's Implementation Plan. In February 2000, the Agency approved a resolution adopting a new Redevelopment Affordable Housing Production Plan. This plan supplemented the CIP programs that were adopted in 1999, 2000 and 2001 by specifically addressing affordable housing issues. After discussions with Agency legal counsel, a single document was produced that combined the housing and non-housing activities, which was adopted by the Agency on March 4, 2002 to serve as the Agency's Implementation Plan for the remainder of the five year period from July 1, 1999 to June 30, 2004.

(Continued on Page 2)

PREPARED BY: Bud N. Lortz *Bud N. Lortz*
Director of Community Development

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Reviewed by: ESS Assistant Town Manager *[Signature]* Town Attorney
____ Clerk Administrator ____ Finance *[Signature]* Community Development

On November 15, 2004, the Agency adopted a Five Year Implementation Plan for the five year period from July 1, 2004 to June 30, 2009 (Attachment 3).

DISCUSSION:

Section 33490 of the California Community Redevelopment Law (CRL) requires a redevelopment agency administering a redevelopment plan to prepare and adopt a five year implementation plan for its project areas. The principal goal of an implementation plan is to guide an agency in implementing its redevelopment program to help eliminate blighting influences. Additionally, the required affordable housing component of the implementation plan provides a mechanism for a redevelopment agency to monitor its progress in meeting both its affordable housing obligations under the CRL and the affordable housing needs of the community.

In addition to the preparation of the implementation plan, the CRL requires that redevelopment agencies hold public hearings to conduct midterm reviews of adopted implementation plans. The purpose of the midterm review is to provide a review of the current status of the goals, programs and projects, and estimated expenditures set forth in the adopted implementation plan for the project area.

To fulfill the requirements of the CRL, the Town hired Seifel Consulting to work with staff and prepare the attached Implementation Plan Midterm Review (Attachment 2). Seifel was chosen due to their extensive background and expertise in the preparation of implementation plans and midterm reviews. Additionally, Seifel prepared the Agency's Five Year Implementation Plan that was adopted on November 15, 2004.

As illustrated in the Midterm Review, the Agency has actively pursued the non-housing and housing programs and projects stated in the Implementation Plan for the Project Area. The Agency will continue to actively pursue the remaining non-housing and housing programs and projects stated in the Implementation Plan for the remainder of the current Implementation Plan period. There have not been any substantial modifications to the goals, programs and projects, or estimated expenditures set forth in the adopted Implementation Plan for the Project Area.

CONCLUSION:

The Agency should adopt the attached resolution (Attachment 1) approving the Five Year Implementation Plan and Affordable Housing Production Plan Midterm Review for the Central Los Gatos Redevelopment Project for the period of July 1, 2004 to June 30, 2009 (Attachment 2).

FISCAL IMPACT:

The approval of the Implementation Plan Midterm Review itself has no direct fiscal impact. Projects will be brought forward for funding through the normal budgetary process.

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MAYOR AND TOWN COUNCIL

SUBJECT: MIDTERM REVIEW OF THE FIVE YEAR IMPLEMENTATION PLAN

April 14, 2008

ENVIRONMENTAL IMPACT:

The Implementation Plan Midterm Review is not a project as defined under CEQA, and no action is required.

Attachment:

1. Resolution (3 Pages)
2. Implementation Plan Midterm Review (34 Pages)
3. Five Year Implementation Plan FY 2004/05 to FY 2008/09 (36 Pages)

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RESOLUTION

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE TOWN OF LOS GATOS APPROVING THE FIVE YEAR IMPLEMENTATION PLAN AND AFFORDABLE HOUSING PRODUCTION PLAN MIDTERM REVIEW FOR THE CENTRAL LOS GATOS REDEVELOPMENT PROJECT AREA

WHEREAS, the Redevelopment Agency of the Town of Los Gatos (the "Agency") is carrying out the Redevelopment Plan for the Central Los Gatos Project Area (the "Project Area"); and

WHEREAS, pursuant to Health and Safety Code Section 33490, the Agency on November 15, 2004 conducted a public hearing and adopted RDA Resolution 2004-13RD approving the Agency's 2004-2009 Implementation Plan for the Project Area; and

WHEREAS, pursuant to Health and Safety Code Section 33490, the Agency is required to conduct a noticed public hearing and hear testimony of all interested parties for the purpose of reviewing the Redevelopment Plan and corresponding Implementation Plan for the Project Area and evaluating the progress of the redevelopment project; and

WHEREAS, Agency staff has prepared and presented to the Agency an Implementation Plan Midterm Review dated February 2008 for the five year period covering July 1, 2004 to June 30, 2009, a copy of which is on file with the Agency Secretary; and

WHEREAS, on the date of this resolution, the Agency has conducted and concluded a duly noticed public hearing on the Implementation Plan Midterm Review dated February 2008 in accordance with Health and Safety Code Section 33490; and

WHEREAS, the Agency finds that the Implementation Plan Midterm Review dated February 2008, with any modifications as considered and approved in connection with the public hearing, constitutes a statement of the Agency's goals and objectives for the Project Area, a summary of specific programs and proposed expenditures proposed to be made by the Agency for the redevelopment of the Project Area for the five year period stated, and an explanation of how the goals and objectives, projects and expenditures will eliminate blight within the Project Area and implement the affordable housing regulations of the Community Redevelopment Law; and

WHEREAS, pursuant to Health and Safety Code Section 33490, approval of an Implementation Plan Midterm Review does not constitute a project for purposes of the California Environmental Quality Act ("CEQA"), and therefore no environmental documentation is required pursuant to CEQA.

RESOLVED, that the Agency hereby approves and adopts the Implementation Plan Midterm Review for the Central Los Gatos Project Area and orders that a copy of the Implementation Plan Midterm Review be maintained on file with the Agency Secretary.

FURTHER RESOLVED, that the Agency hereby authorized the Agency Executive Director to take such other actions as are appropriate to effectuate the intent of the Implementation Plan Midterm Review.

FURTHER RESOLVED THAT, that this Resolution shall take immediate effect from and after its passage.

PASSED AND ADOPTED at a regular meeting of the Town of Los Gatos Redevelopment

Agency held on the ____ day of _____, 2008, by the following vote:

REDEVELOPMENT AGENCY MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED: /s/ Barbara Spector
 CHAIR OF THE REDEVELOPMENT AGENCY
 TOWN OF LOS GATOS, CALIFORNIA

ATTEST:

/s/ Jackie Rose
CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

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REPORT

Implementation Plan Midterm Review

Prepared for:

Los Gatos Redevelopment Agency

February 2008

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Los Gatos Redevelopment Agency

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Executive Summary

The purpose of the Midterm Review of the Five-Year Implementation Plan is to provide a status report of the goals, projects and estimated expenditures set forth in the Implementation Plan in order to evaluate the progress to date. This Executive Summary serves as a synopsis of the Midterm Review by highlighting some of the major accomplishments from the initial three years of the Plan period, FY 2004/05 through FY 2006/07, and provides a snapshot of the tax increment funds available for non-housing and housing programs.

A. Non-Housing Accomplishments

During the initial three years, the Agency has accomplished several major non-housing projects including capital projects related to Downtown commercial revitalization and public improvements. Two of these projects are highlighted below.

Main Street and Santa Cruz Avenue Street Improvements

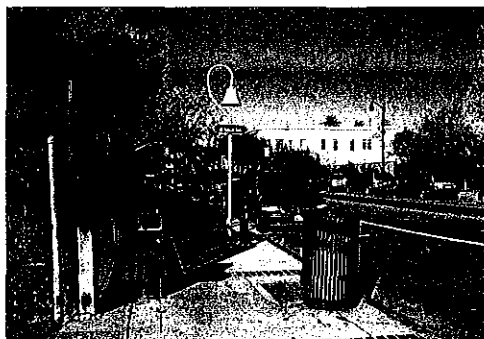
The Town, with assistance from the Agency, completed street improvements along Santa Cruz Avenue and Main Street in three phases between 2005 and 2007 as directed by the Central Los Gatos Redevelopment Plan and Downtown Streetscape Plan. Work completed on the two streets includes sidewalk, curb and gutter replacement and installation of new planters, bulb-outs and light fixtures. These projects have helped to beautify two primary streets and improve access to support the growth of the Downtown commercial district.



Downtown streetscape improvements, Santa Cruz Avenue, 2007.

Main Street Bridge

During the initial three years of the Implementation Plan period, the Agency has worked towards beautifying the Main Street Bridge, which provides for a vehicle, bike and pedestrian crossing over Highway 17. The Agency provided funding to install new lighting, a multi-purpose fountain and a marker commemorating the road's history as part of the original El Camino Real.



Main Street Bridge, 2007.

B. Housing Accomplishments

During the last three years, the Agency has continued its work to increase, improve and preserve affordable housing in the Project Area. The Agency is tracking its Low and Moderate-income Housing Fund (Housing Fund) production obligation requirement and expects to meet the requirement by the end of the compliance period on December 31, 2014. The Agency has been using Housing Fund moneys to fund affordable housing projects by working with various partners as highlighted below.

Housing Trust of Santa Clara County

The Agency provided an annual grant of \$100,000 to the Housing Trust of Santa Clara County (HTSCC) for FY 2005/06 through FY 2007/08 using Housing Fund moneys. The grants are being used by HTSCC to increase the supply of housing affordable to very low, low and moderate-income households in the Town of Los Gatos.

Senior Housing Solutions

For FY 2008/09, the Agency has earmarked \$778,000 for a loan to Senior Housing Solutions (SHS), a non-profit agency that creates shared housing for low-income seniors. The loan will be used by SHS to acquire and rehabilitate a home, potentially within the Project Area, on which it will provide five to six units of low-income senior housing.

C. Program Funding

This section presents the Agency's actual tax increment for FY 2004/05 through FY 2006/07 and projected tax increment for FY 2007/08 and FY 2008/09 for non-housing and housing programs. The Agency has two primary revenue sources: annual tax increment revenues and other Agency financial resources such as investment income. Table 1 summarizes the actual and projected tax increment funds available for non-housing programs net of Housing Fund deposits and Agency obligations.

Table 1
Summary of Tax Increment for Non-Housing Programs
Los Gatos Redevelopment Agency

Fiscal Year	Revenues
2004/05 Actual	\$785,175
2005/06 Actual	\$1,181,319
2006/07 Actual	\$1,681,908
2007/08 Projected	\$1,560,056
2008/09 Projected	\$1,275,199
Total	\$6,483,657

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

The CRL requires the Agency to set aside in a separate Housing Fund at least 20 percent of all tax increment revenue generated from its Project Area for the purpose of increasing, improving and preserving the community's supply of low and moderate-income housing. Table 2 shows the actual and projected Housing Fund deposits over the Implementation Plan period.

Table 2
Tax Increment Deposits to the Housing Fund
Los Gatos Redevelopment Agency

Fiscal Year	Revenues
2004/05 Actual	\$1,163,323
2005/06 Actual	\$1,073,315
2006/07 Actual	\$1,516,456
2007/08 Projected	\$1,504,539
2008/09 Projected	\$1,537,655
Total	\$6,795,288

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

D. Conclusion

Each of the Implementation Plan's projects and activities will enable the Agency to achieve many of the Redevelopment Plan goals and objectives in addition to meeting the goals and objectives of the Town's General Plan. The Agency has accomplished many of these non-housing and housing projects and activities in the Project Area over the initial three years of the Implementation Plan period. During the final two years of the period, the Agency will continue to work towards achieving the projects envisioned in its Implementation Plan.

I. Introduction

The purpose of the Midterm Review of the 2004 Five-Year Implementation Plan (Implementation Plan) is to provide a review of the current status of the goals, programs and projects and estimated expenditures set forth in the Implementation Plan.

In accordance with the California Community Redevelopment Law (CRL), the Los Gatos Redevelopment Agency (Agency) adopted the Implementation Plan on November 15, 2004. The purpose of the Implementation Plan was to set forth the specific goals, programs, projects, and estimated expenditures for the Project Areas administered by the Agency for the five-year period from FY 2004/05 through FY 2008/09.

The Midterm Review provides an opportunity to evaluate the Agency's progress towards its Implementation Plan goals. The CRL requires that a public hearing on the progress of the Implementation Plan take place midway through the Implementation Plan period.

A. Organization

Chapter I of the Midterm Review provides a basic discussion of the CRL requirements for the Midterm Review and describes the Project Area. Chapter II includes a summary of the five-year Redevelopment Program, including goals and objectives, program categories and descriptions, and a description of how blighting conditions have been and will continue to be alleviated by the activities. Chapter II also includes actual revenues and expenditures for the first three years and projected revenues and expenditures for the final two years of the Implementation Plan. Chapter III discusses non-housing accomplishments and highlights projects in greater detail. Chapter IV charts Agency progress in meeting its affordable housing obligations. Chapter IV also includes an updated Affordable Housing Production Plan.

B. Background on Project Areas

The Central Los Gatos Redevelopment Plan (Redevelopment Plan) was adopted by the Los Gatos Town Council by Ordinance 1882 on November 25, 1991. The Central Los Gatos Redevelopment Project Area consists of 441 acres including the Central Business District, the Civic Center and the Historic Downtown residential neighborhoods. Figure I-1 shows the Project Area.

The purpose of establishing the Redevelopment Plan was to provide a financing tool to assist the Town and its residents in repairing damage from the Loma Prieta earthquake and completing seismic strengthening and safety programs to ensure the public safety and welfare. The Redevelopment Project was also intended to be a financing mechanism to assist in alleviating blighting conditions, revitalizing the downtown commercial area and reconstructing deteriorated infrastructure. All rehabilitation and development activities outlined in the Redevelopment Plan must conform to the Town's existing and future planning programs including the General Plan.

The Redevelopment Plan identified the following categories of public infrastructure, commercial rehabilitation and housing improvement projects to be funded by the Agency:

- Street reconstruction
- Alley improvements
- Improvements to the Downtown
 - Streetscape improvements
 - Loans for seismic strengthening
 - Loans/assistance for geologic investigations and structural analysis
 - Façade improvements
 - Parking facilities
 - Hazardous waste removal
- Improvements to community facilities
 - Structural analysis
 - Seismic strengthening and repair
- Public transit facilities
- Assistance to increase and improve the supply of low and moderate-income housing

Table I-1 provides a summary of the time and financial limits of the Redevelopment Plan for the Project Area.

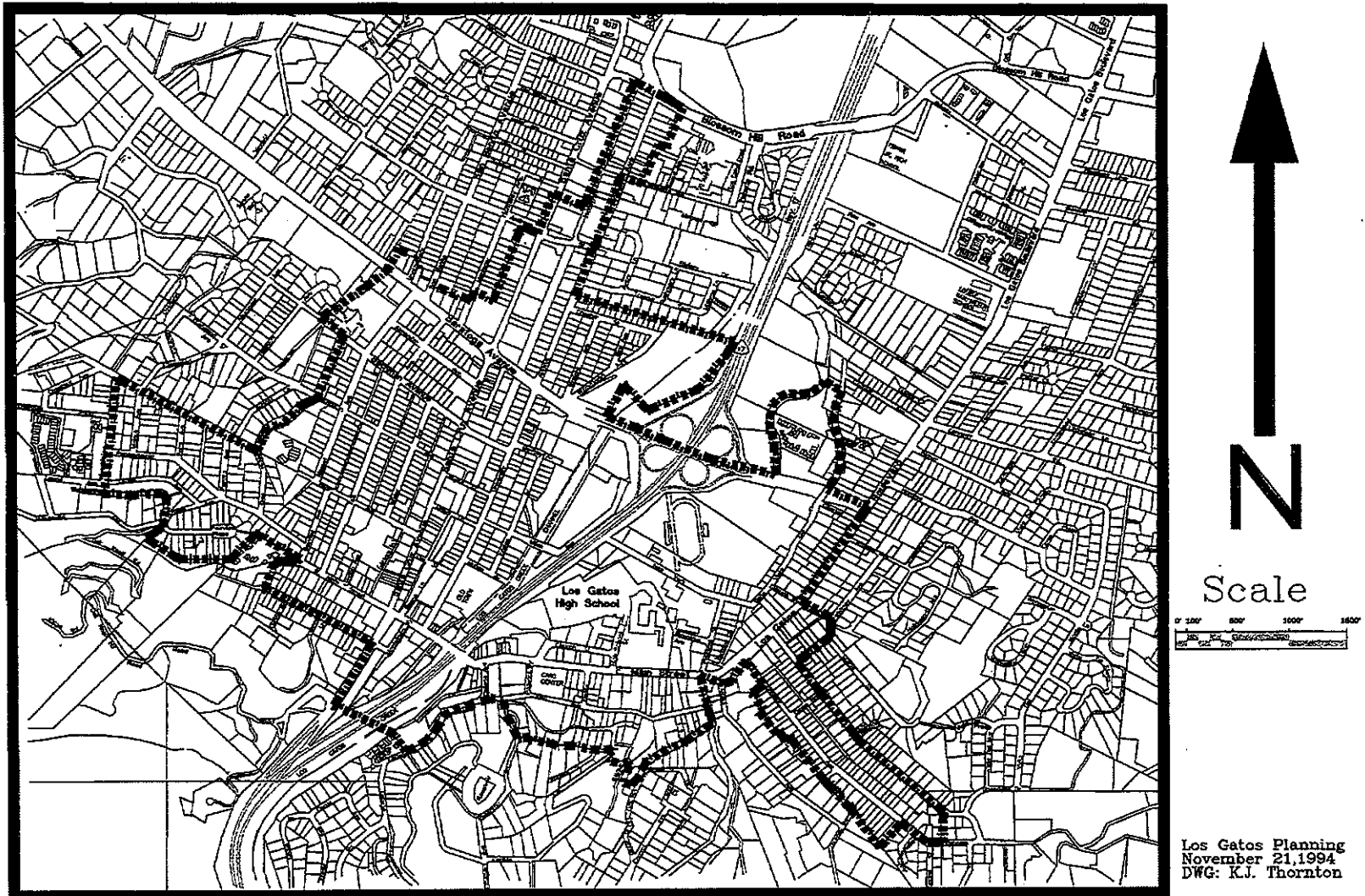
Table I-1
Summary of Central Los Gatos Redevelopment Plan
Time and Fiscal Limits

Background Information	
Total Acres	441
Date of Adoption	11/25/1991
Time Limits	
Incurring Debt	11/25/2011
Plan Effectiveness (Project Activities)	11/25/2031
TI Collection/Repayment of Debt	11/25/2041
Eminent Domain	12/25/2015
Financial Limits	
Tax Increment Cap	\$250 million
Bond Limit	\$52 million

Source: Los Gatos Redevelopment Agency.

Figure I-1
Boundaries of Project Area
Los Gatos Redevelopment Agency

Central Los Gatos Redevelopment Project



II. Summary of Five-Year Implementation Plan

This section describes the Redevelopment Program goals and objectives as outlined in the 2004 Implementation Plan. It also summarizes the four basic program categories in which the Implementation Plan projects and activities are categorized, and addresses the relationship between the projects and activities and the alleviation of blighting conditions. Finally, this section presents actual revenues and expenditures for FY 2004/05 through FY 2006/07, and projected revenues and expenditures for FY 2007/08 and FY 2008/09.

A. Five-Year Goals and Objectives

The following are the major goals and objectives for the five-year planning period pursued by the Agency, which are the same as those for the overall Redevelopment Program:

- The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including among others, obsolete and aged building types, substandard alleys and inadequate or deteriorated public improvements, facilities and utilities.
- The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
- The replanning, redesign and development of undeveloped areas, which are stagnant or improperly utilized.
- The provision of opportunities for owner and tenant participation in the revitalization of their properties.
- The strengthening of retail and other commercial functions in the downtown area.
- The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial/light industrial expansion, employment and economic growth.
- The provision of adequate land for parking and open spaces.
- The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements, which provide unity and integrity to the entire Project Area.
- The expansion and improvement of the community's supply of low and moderate-income housing.

B. Project and Activities Program Categories

The Agency has been and will continue to undertake projects and activities in the Project Area to alleviate blighting conditions and attain the five-year Redevelopment Program goals. These projects and activities can be categorized into four Program categories, as described below:

1. Downtown Commercial Revitalization Plan

A goal of the Redevelopment Program for FY 2004/05 through FY 2008/09 is to continue to implement the Downtown Commercial Revitalization Plan. Projects and activities include the following:

- Construct street improvements in Downtown, including new sidewalks and bulb outs on Santa Cruz Avenue and Main Street.
- Reconfigure parking to provide additional parking spaces in the Downtown Core.
- Continue to implement the Parking Management Program to make better use of existing parking, identify new parking opportunities and methods of financing new parking facilities.
- Implement a façade grant program.

2. Public Improvements, Facilities and Utilities

The Agency has been and will continue to repair or reconstruct the substandard alleys and damaged, inadequate or deteriorated public improvements, facilities and utilities in the Project Area through the following:

- Develop a list of capital projects, estimated cost and projected revenues for the Agency and present to Town Council to help establish priorities.
- Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.
- Reconstruct deteriorated streets within the Project Area.
- Beautify Main Street Bridge.
- Provide gateway projects at Highway 9 and North Santa Cruz Avenue.
- Provide gateway projects at Wood Road and South Santa Cruz Avenue.
- Pave Main Street.
- Provide alley improvements.
- Provide multi-use fountain at Highway 17 and Main Street Trail Head.
- Improve curbs, gutters and sidewalks.
- Underground utilities.
- Make Americans with Disabilities Act (ADA) accessibility improvements.

3. Affordable Housing

The Affordable Housing Program promotes residential development on vacant and underutilized sites in the Project Area. Through this program, the Agency will increase and preserve housing affordable to very low, low and moderate-income households. Components of this program include assistance for the construction of affordable housing and a loan program to assist in the development of secondary dwelling units for very low, low and moderate-income households.

4. Agency Administration

The Agency will continue to have various administration and operational requirements associated with implementing the above projects and activities. These will include program staff, planning functions and legal and other technical assistance.

C. Alleviation of Blighting Conditions

The five-year Redevelopment Program described above has and will continue the process of improving the Project Area and alleviating blighting conditions. Table II-1, on the following page, provides a matrix summarizing the relationship between proposed goals, objectives, projects and activities and how they have and will continue to eliminate blight.

D. Actual and Projected Tax Increment Revenue and Program Expenditures

This section presents the Agency's actual revenues and expenditures for FY 2004/05 through FY 2006/07 and projected revenues and expenditures for FY 2007/08 and FY 2008/09.

1. Five-Year Revenues

The Agency has three primary revenue sources: annual tax increment revenues, interest income and other Agency financial resources.

Table II-1
Linkage of Five-Year Programs and Activities With Elimination of Blight
Los Gatos Redevelopment Agency

Program Categories and Activities	Blighting Conditions				
	Deficient & Deteriorated Buildings	Physically Obsolete Buildings/ Lack of Parking	Deteriorated and/or Inadequate Utilities	Depreciated or Stagnant Property Values/ Economically Obsolete Buildings	Inadequate Public Improvements
Downtown Commercial Revitalization Plan					
Construct street improvements in Downtown, including new sidewalks and bulb out on Santa Cruz Avenue and Main Street.			■		■
Reconfigure parking to provide additional parking spaces in the Downtown Core.		■			
Continue to implement the Parking Management Program.		■			
Implement a façade grant program.	■			■	
Public Improvements, Facilities and Utilities					
Develop a list of capital projects, estimated costs and projected revenues for the Agency and present to Town Council to help establish priorities.	■	■	■	■	■
Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.		■			■
Reconstruct deteriorated streets within the Project Area.					■
Beautify Main Street Bridge.					■
Provide gateway projects at Highway 9 and North Santa Cruz Avenue.					■
Provide gateway projects at Wood Road and South Santa Cruz Avenue.					■
Pave Main Street.				■	■
Provide alley improvements.					■
Provide multi-use fountain at Highway 17 and Main Street Trail Head.					■
Improve curbs, gutters and sidewalks.					■
Underground utilities.			■		
Make ADA accessibility improvements.			■		■

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

a. Funds for Non-Housing Programs

During the first three years of the Implementation Plan period, the Agency had \$3.6 million of tax increment revenue available for non-housing projects. The Agency anticipates that approximately \$2.8 million in tax increment will be available during the remaining two years of the Implementation Plan period for non-housing projects. Table II-2 summarizes the actual and projected Agency resources available for non-housing projects for each year.

Table II-2
Summary of Tax Increment for Non-Housing Programs
Los Gatos Redevelopment Agency

Fiscal Year	Revenues
2004/05 Actual	\$785,175
2005/06 Actual	\$1,181,319
2006/07 Actual	\$1,681,908
2007/08 Projected	\$1,560,056
2008/09 Projected	\$1,275,199
Total	\$6,483,657

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

Table II-3 presents the supporting detail for the five-years of actual and projected revenues. As indicated in Table II-3, the beginning fund balance through FY 2003/04 was \$10.8 million. By the end of the Implementation Plan period, the Agency is projected to receive approximately \$34.4 million in gross tax increment revenues before deducting obligations including Housing Fund deposits, pass-through payments, County and Agency Administration, ERAF payments, and debt service payments.¹

The Agency received higher tax increment revenues than projected during the first three years of the Implementation Plan, which grew annually by 18 percent on average. Gross tax increment revenues for FY 2007/08 and FY 2008/09 are budgeted conservatively at an annual average increase of 2 percent. However, gross tax increment revenues are expected to be higher given the rate of growth in previous years.

b. Other Agency Financial Resources

Wherever possible, the Agency has leveraged and will continue to leverage other Agency funds in connection with its redevelopment efforts. The Agency has received nearly \$1 million for non-housing activities from investment income during the past three years. The Agency expects to receive another \$0.9 million over the next two years.

¹ ERAF payments were only required for FY 2004/05 and FY 2005/06.

Table II-3
Actual and Projected Revenues Available for Non-Housing Projects and Activities
FY 2004/05 to FY 2008/09^a
Los Gatos Redevelopment Agency

	Fund Balance through FY 2003/04	FY 2004/2005 Actual	FY 2005/2006 Actual	FY 2006/2007 Actual	FY 2007/2008 Projected	FY 2008/2009 Projected	Total
Gross Tax Increment		\$5,366,101	\$6,385,276	\$7,425,925	\$7,522,694	\$7,688,276	\$34,388,272
Less: Housing Set-Aside^b		\$1,187,461	\$1,156,692	\$1,854,981	\$1,722,799	\$1,762,463	\$7,684,395
Net Tax Increment		\$4,178,640	\$5,228,584	\$5,570,945	\$5,799,895	\$5,925,813	\$26,703,877
Less: Pass-through Payments^c		\$2,079,912	\$2,573,514	\$2,897,786	\$3,170,056	\$3,543,775	\$14,265,043
Less: County Administration Fee		\$49,592	\$61,773	\$85,432	\$90,272	\$92,259	\$379,328
Less: COP Debt Service^d		\$926,165	\$931,505	\$926,071	\$925,023	\$923,638	\$4,632,402
Less: ERAF Payments		\$303,158	\$347,440	\$0	\$0	\$0	\$650,598
Less: Agency Administration		\$261,650	\$408,420	\$451,050	\$497,420	\$547,162	\$2,165,702
Subtotal: Net Tax Increment		\$558,163	\$905,932	\$1,210,605	\$1,117,124	\$818,979	\$4,610,803
Additional Revenues: Proceeds from Bonds		\$0	\$0	\$0	\$0	\$0	\$0
Additional Revenues: Other Sources^e		\$227,012	\$275,387	\$471,302	\$442,932	\$456,220	\$1,872,853
Subtotal: Additional Revenues		\$227,012	\$275,387	\$471,302	\$442,932	\$456,220	\$1,872,853
Net Funds for Non-Housing Projects and Activities		\$785,175	\$1,181,319	\$1,681,908	\$1,560,056	\$1,275,199	\$6,483,657
Town Loan to RDA^f		\$0	\$0	\$2,720,000	(\$2,720,000)	\$0	\$0
Cumulative Funds for Non-Housing Projects and Activities^g	\$10,752,745	\$11,537,920	\$12,719,239	\$17,121,146	\$15,961,202	\$17,236,401	\$17,236,401

a. All years are shown in actual dollars.

b. Housing Set-Aside payment equals 20 percent of gross tax increment and includes investment income from Housing Set-Aside Fund.

c. Includes both statutory and contractual pass-through payments.

d. Debt service associated with 2002 Certificate of Participation.

e. Other sources of additional revenue include proceeds from investment income.

f. Town loaned money to the RDA for a police facility in 2006/07, which will be paid back the following year.

g. Fund balance through FY 2003/04 includes proceeds from 2002 COP.

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

2. Five-Year Expenditures

The Implementation Plan is required to include the proposed estimated expenditures for the five-year period. The nature and scope of the activities and expenditures were shaped primarily by Agency goals and objectives for the Project Area, available revenues for funding projects and activities, and blighting conditions to be eliminated. Table II-4 summarizes actual expenditures by projects and activities for the first three years and presents projected expenditures for the remaining fiscal years.

During the first three years, the Agency spent \$2.6 million on non-housing projects and activities. The Agency anticipates spending an additional \$6.4 million in the remaining fiscal years based on reasonable assumptions regarding costs and tax increment and other revenues. The Agency expects that the total expenditures for the five-year period will be less than what was proposed in the Implementation Plan due to the fact that actual costs for some of the projects were less than original estimates.

Table II-4
Actual and Projected Five Year Non-Housing Redevelopment Program Expenditures
FY 2004/05 - FY 2008/09
Los Gatos Redevelopment Agency

Non-Housing Program Category and Project Description	Actual Agency Expenditures FY 2004/05 - FY 2006/07	Projected Agency Expenditures FY 2007/08 - FY 2008/09 ^a	Project Status
Downtown Commercial Revitalization Plan			
Construct street improvements in Downtown - Santa Cruz Avenue and Main Street.	\$1,648,685	\$0	Completed
Construct street improvements in Downtown - Other.	\$52,531	\$70,000	Planning stage
Reconfigure parking to provide additional parking spaces in the Downtown Core.	\$0	\$50,000	Planning stage
Continue to implement the Parking Management Program.	\$0	\$500,000	Planning stage
Implement a facade grant program.	\$0	\$10,000	Planning stage
Public Improvements, Facilities and Utilities			
Provide alley improvements.	\$382,444	\$0	Completed
Provide multi-use fountain at Highway 17 and Main Street Trail Head.	\$4,674	\$0	Completed
Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.	\$368,984	\$131,000	Completed 2 lots
Develop a list of capital projects, estimated costs and projected revenues for the Agency and present to Town Council to help establish priorities.	\$0	\$40,000	In progress
Reconstruct deteriorated streets within the Project Area.	\$117,101	\$231,000	In progress
Beautify Main Street Bridge.	\$20,925	\$79,000	In progress
Improve curbs, gutters and sidewalks.	\$0	\$750,000	In progress
Underground utilities.	\$0	\$1,000,000	In progress
Make ADA accessibility improvements.	\$0	\$200,000	In progress
Police facility.	\$24,766	\$2,695,000	In progress
Provide gateway projects at Highway 9 and North Santa Cruz Avenue. ^b	\$0	\$150,000	Planning stage
Provide gateway projects at Wood Road and South Santa Cruz Avenue.	\$0	\$495,000	Planning stage
Subtotal	\$2,620,110	\$6,401,000	
Unanticipated Opportunities (at approx. 12% of subtotal)		\$746,000	
Total	\$2,620,110	\$7,147,000	

a. The listed expenditures do not represent the complete funding for each of the projects. The Agency will seek to leverage its resources with additional funding opportunities including local, state and federal grants and assistance programs, as well as private sector sources.

b. The proposed expenditure for gateway projects at Highway 9 is predicated on securing grants to complete this project.

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

III. Non-Housing Accomplishments

The Agency has undertaken many non-housing projects and activities in the Project Area over the initial three years of the Implementation Plan period and has major projects in focus for the remaining two years. Agency efforts have been focused on the alleviation of blight. This section highlights the Agency's major accomplishments in the past three years and describes those projects in greater detail.

The majority of the non-housing projects have focused on capital improvements in the Project Area for the primary goal of maintaining a functional street system, which is also consistent with the Town's General Plan. Such improvements included street reconstruction, the paving of alleys, downtown streetscape improvements, and expansion of parking facilities in support of the downtown commercial district, all of which have been identified as essential components of the Redevelopment Program.

A. Accomplished and Planned Projects

1. Downtown Commercial Revitalization

a. Street Improvements

The Town, with assistance from the Agency, completed street improvements along Santa Cruz Avenue and Main Street in three phases between 2005 and 2007 as directed by the Central Los Gatos Redevelopment Plan and Downtown Streetscape Plan. The first two phases concentrated on Santa Cruz Avenue. The third phase concentrated on Main Street, from N. Santa Cruz Avenue to College Avenue, with additional street construction past College Avenue up to Loma Alta

Avenue. The Agency leveraged its non-housing funds with a Caltrans Surface Transportation Improvement Program (STIP) grant to complete these street improvement projects.



Downtown streetscape improvements, Santa Cruz Avenue, 2007.

Prior to the improvements, the surfaces of Main Street and Santa Cruz Avenue were cracked and unsightly due to deferred maintenance. On Santa Cruz Avenue, work included extensive street rehabilitation along with the installation of new planters, bulb outs and Villa Hermosa-style sidewalks consistent with the Downtown Streetscape Plan. On Main Street, most of the sidewalks were replaced. Other improvements along Main Street included curb and gutter replacement and replacement of a traffic signal and signal box at the intersection of Main Street and University Avenue. Street lighting improvements such as installation of new fixtures and wiring and the repainting of poles, were completed during summer 2006.



New planters along Santa Cruz Avenue, 2007.

Similar to the work done on Main Street, street lighting improvements are planned for N. Santa Cruz Avenue in 2008. Upon completion, all of the lights on N. Santa Cruz Avenue and adjacent to the Town Plaza will have a uniform look, further enhancing the appearance of the Downtown. More street reconstruction is also planned for the next few years on Elm Street between N. Santa Cruz and University Avenues in the Downtown core as well as the Almond Grove area.

b. Downtown Parking Lots

Downtown parking lot improvements were identified in the Downtown Parking Management Plan and are consistent with the goal of providing additional parking downtown per the Central Los Gatos Redevelopment Plan. Since 2004, the Agency has funded various improvements to the Town's public parking lots serving Downtown businesses. The Agency recognizes that investing in Downtown public parking lots is essential to revitalizing and strengthening its Town center, and has worked towards increasing the number of parking spaces, resurfacing old lots and providing signage to direct visitors to the lots.

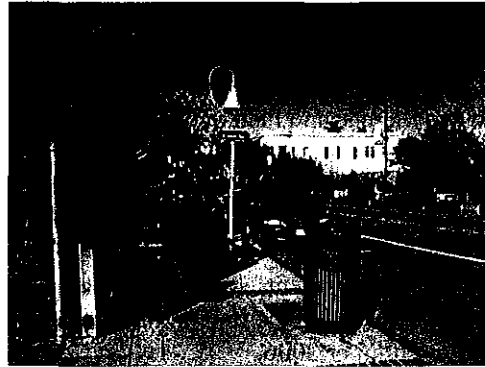
During the Implementation Period, the Agency funded the reconstruction of the Bus Depot (South Side) and Verizon (Montebello) parking lots. In addition, wayfinding projects were also completed including the Olive Zone sign project and other smaller projects that direct visitors to the public parking areas. Agency funds were also used to assist with merchant and resident relations during the construction period of the parking lot improvements.

Although improvements have been made with the creation of additional parking spaces, the Agency recognizes that a shortage of parking still exist in the Downtown and will address this issue with the continued implementation of the Downtown Parking Management Plan.

2. Public Improvements, Facilities and Utilities

a. Main Street Bridge

During the five-year period, the Agency has worked towards beautifying the Main Street Bridge, which provides for a vehicle, bike and pedestrian crossing over Highway 17. In addition, the bridge marks the beginning point of the Los Gatos Creek Trail, a 9.7-mile trail that runs from Los Gatos to San Jose. The Agency supported bridge improvements by providing funding to install new lighting and a multi-purpose fountain that provides drinking water to people as well as pets. The Town discovered through a local student that the bridge runs the course of the original El Camino Real, which historically connected a number of cities and Spanish missions along the Pacific coast of California. As part of the Agency's plan to beautify the Main Street Bridge, the Agency provided funds to install a monument to commemorate the historic road. The Agency will continue in its efforts to maintain and upgrade the bridge over the rest of the Implementation Plan period.



Main Street Bridge, 2007.

b. Alleys and Curbs, Gutters and Sidewalk Improvements

The Town of Los Gatos, with assistance from the Agency, has been engaging in overall alleyway improvements to fourteen alleys in the Project Area since the Town prepared a report on the condition of these alleys in 2002. Work on the alleyways included improving their surface road condition and addressing a number of drainage deficiencies.

The first of the alley improvements began in Almond Grove in 2003, and a total of six alleyways were reconstructed by 2005. There were five alleyways in the Johnson/Loma Alta area, which had been in disrepair for many years, and these were also reconstructed by the summer of 2005.

c. Gateways

The Town and the Agency are working together on two gateways: one located on N. Santa Cruz Ave. at Highway 9 and another at Wood Road. Although the gateway improvements were not included as part of the Redevelopment Agency bond financing secured in 2002, due to continued interest by community members, the Town Council has directed staff to proceed to plan for the gateways. The gateways are intended to enhance the appearance of these two entrances to the Downtown and to increase pedestrian safety at the crosswalks. The Highway 9 gateway would need to be coordinated with the University Avenue and Highway 9 project, and potentially with other private developments in the vicinity of the intersection. Conceptual designs have been developed and the Town and Agency will proceed when construction funding is allocated.

B. Conclusion

The Agency has accomplished many significant non-housing projects and activities in the Project Area over the initial three years of the Implementation Plan period, which will help alleviate blight in the area. Many of the Implementation Plan projects and activities have been completed or are in progress. During the final two years of the Implementation Plan period, the Agency will continue to work towards the completion of projects as they plan for the future.

IV. Housing Accomplishments

Over the initial three years of the five-year Implementation Plan period, the Agency has undertaken housing activities focusing on the provision of affordable housing, as directed by the housing component of the 2004 Five-Year Implementation Plan. The housing component presented:

- Specific goals and objectives for the five-year Implementation Plan period FY 2004/05 through FY 2008/09.
- Estimates of Housing Fund deposits and expenditures planned for the Implementation Plan period.
- A description of how the stated goals, objectives, programs, projects and expenditures would produce affordable housing units to meet these obligations.
- Projected number of housing units produced over the life of the Plan.

The Agency has three primary housing obligations, which have been reviewed as part of this Midterm Review:

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

In addition, if a project area is within three years of reaching the time limit of plan effectiveness, an agency must address CRL requirements in the Midterm Review in regards to the agency's ability to comply with its housing obligation. These requirements are not applicable to Los Gatos at this time as the time limit for plan effectiveness for the Central Los Gatos Redevelopment Plan is in 23 years.

A. Affordable Housing Program

During the five-year Implementation Plan period, the Agency has concentrated and will continue to concentrate on housing activities that are most applicable to the Agency's goals and objectives. Through its affordable housing activities, the Agency will also continue to support and advance the Town's General Plan, and more specifically, the goals and strategies identified in the Housing Element including:²

- Improve the choice of housing opportunities for senior citizens, families and singles and for all income groups through a variety of housing types and sizes, including a mixture of ownership and rental housing.
- Preserve existing moderately priced and historically significant housing.

² The parts of the Implementation Plan that address the affordable housing requirements must be adopted every five years either in conjunction with the community's housing element cycle or the implementation plan cycle. (Section 33490(a)(1)(A))

- Eliminate racial discrimination, lack of disabled accessibility and all other forms of discrimination that prevent free choice in housing.
- Make infrastructure projects and residential and nonresidential developments be compatible with environmental quality and energy conservation.
- Reduce the homeless population.
- Provide housing affordable to people who work in the Town.

1. Affordable Housing Program Components

The Agency recognizes the important role of the Affordable Housing Program and related activities in the overall Redevelopment Program. Consequently, not only is the Affordable Housing Program viewed as the means of implementing the Agency's stated goals and objectives related to affordable housing, but it is also a key element in the Agency's overall blight alleviation efforts. The Affordable Housing Program has two primary affordable housing components as follows:

a. Affordable Housing Projects within the Project Area

The Agency will fund affordable housing projects in the Project Area during this five-year Implementation Plan period. Going forward, the Agency will work with local non-profit and for profit developers to produce affordable housing units to help address the needs of the community. The Agency is considering assisting the production of approximately 4 units affordable to very low-income households from FY 2007/08 through FY 2008/09.

b. Zero Interest Loans for Secondary Dwelling Units in the Project Area

The Agency will implement a loan program during this five-year Implementation Plan period. The Agency will provide zero interest loans for the production of secondary dwelling units in the Project Area that are restricted to occupancy by secondary dwelling units, often called "in-law" units, typically referring to small one-bedroom or studio units located in existing single-family homes or as detached units. Approximately one affordable unit per year will be assisted from FY 2007/08 through FY 2008/09, for a total of 2 units.

2. Proposed Affordable Housing Activities and Expenditures

The Agency's Housing Fund revenues will continue to be used in a flexible manner to respond to favorable development opportunities. The Town Council and Agency have approved resolutions determining that the use of its Housing Fund moneys to assist housing activities located outside the Project Area is of benefit to the Project Area. Accordingly, Housing Fund moneys may be spent both inside and outside the Project Area. However, affordable units produced outside the Project Area count on a two for one basis towards meeting the Agency's Housing Production obligations.

In carrying out its purpose to preserve, improve and increase the Town's affordable housing supply, the Agency will use the following methods:

- Provide cost write-down and gap financing for projects utilizing federal, state and other locally controlled funds.
- Acquire land or building sites.

- Fund predevelopment costs and development fees.
- Improve land or building sites with on-site or off-site improvements.
- Donate land to private or public persons or entities.
- Finance insurance premiums pursuant to CRL Section 33136.
- Construct buildings or structures.
- Provide subsidies, loans and grants to, or for the benefit of, persons or families of very low, low, or moderate-income.
- Develop plans, pay principal and interest on bonds, loans, advances or other indebtedness, or pay financing or carrying charges.
- Require the integration of affordable housing sites with sites developed for market rate housing.
- Assist the development of housing by developers.
- Acquire easements.

The Agency plans to target its Housing Fund expenditures for specific income groups as required by the CRL. The Agency will make every effort to encourage the preservation and development of housing affordable to a variety of income levels combining various funding sources, and partnering and collaborating with other entities dedicated to the preservation and development of affordable housing. The Agency is confident it will be able to meet its affordable housing production obligations and expenditure requirements within the ten-year compliance period, as well as over the life of the Redevelopment Plan.

Nevertheless, changing conditions may result in actual expenditures and unit production for given years being either less than or greater than what is projected. These factors include fluctuations in the timing of the development process, the levels of Housing Fund revenue and other public assistance, the need to amass sufficient funds for an efficiently sized development, and development opportunities.

B. Housing Fund Obligation

The CRL requires the Agency to set aside in a separate, segregated Low and Moderate-Income Housing Fund (Housing Fund) at least 20 percent of all tax increment revenue generated from its Project Area for the purpose of increasing, improving and preserving the community's supply of low and moderate-income housing. The Agency has and will continue to spend moneys from the Housing Fund over the next two years on the programs and activities described above in Section A.

1. Housing Fund Revenues

The Implementation Plan included the estimated annual Housing Fund deposits during the five-year period. This Midterm Review provides the actual amounts deposited during FY 2004/05 through FY 2006/07 and the projected deposits for the remaining two years, FY 2007/08 and FY 2008/09, as reflected in Table IV-1. The total five-year deposit of tax increment revenue into the Housing Fund is estimated to be approximately \$6.8 million. Table IV-2 presents the actual and estimated Housing Fund balance for the Implementation Plan period. After including additional revenues and deducting housing administration costs, the Agency will have approximately \$9.3 million available for its Housing Program by the end of the Implementation Plan period.

Table IV-1
Tax Increment Deposits to the Housing Fund
Los Gatos Redevelopment Agency

Fiscal Year	Revenues
2004/05 Actual	\$1,163,323
2005/06 Actual	\$1,073,315
2006/07 Actual	\$1,516,456
2007/08 Projected	\$1,504,539
2008/09 Projected	\$1,537,655
Total	\$6,795,288

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

Table IV-2
Actual and Projected Revenues Available for Housing Program
FY 2004/05 to FY 2008/09^a
Los Gatos Redevelopment Agency

	Fund Balance through FY 2003/04	FY 2004/2005 Actual	FY 2005/2006 Actual	FY 2006/2007 Actual	FY 2007/2008 Projected	FY 2008/2009 Projected	Total
Housing Fund Deposits ^b		\$1,163,323	\$1,073,315	\$1,516,456	\$1,504,539	\$1,537,655	\$6,795,288
Additional Revenues ^c		\$24,138	\$83,377	\$338,525	\$218,260	\$224,808	\$889,108
Less: Housing Administration Costs		\$208,367	\$280,626	\$292,176	\$333,827	\$378,980	\$1,493,975
Funds Available for Affordable Housing Program	\$3,123,696	\$979,094	\$876,067	\$1,562,805	\$1,388,972	\$1,383,483	\$9,314,116
Cumulative		\$4,102,790	\$4,978,856	\$6,541,662	\$7,930,634	\$9,314,116	

a. All years are shown in actual dollars.

b. Housing Fund deposit equals 20 percent of gross tax increment to Agency.

c. Additional revenues include interest earnings.

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

2. Housing Fund Targeting

Under the CRL, Housing Fund moneys must be targeted to specific income levels according to need and to non-age restricted housing. The targeting obligations must be met over the compliance period beginning January 1, 2002 and ending in December 31, 2014.

a. Income Levels

Housing Fund moneys must be expended to assist very low and low-income households, generally defined as:

- Very Low-Incomes up to 50 percent of area median income, adjusted for family size.
- Low-incomes from 50 percent up to 80 percent of area median income, adjusted for family size.
- Moderate-incomes from 80 percent up to 120 percent of area median income, adjusted for family size.

The current maximum incomes for each income category are presented in Table IV-3. Incomes are included for various household sizes.

Table IV-3
Income Limits by Household Size for Santa Clara County, 2007
Los Gatos Redevelopment Agency

Income Category	Household Size							
	1	2	3	4	5	6	7	8
Very Low	\$37,150	\$42,450	\$47,750	\$53,050	\$57,300	\$61,550	\$65,800	\$70,050
Low	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450	\$105,250	\$112,050
Median	\$73,900	\$84,400	\$95,000	\$105,500	\$113,900	\$122,400	\$130,800	\$139,300
Moderate	\$88,600	\$101,300	\$113,900	\$126,600	\$136,700	\$146,900	\$157,000	\$167,100

Source: U.S. Department of Housing and Urban Development, issued by State of California Department of HCD April 18, 2007.

b. Targeting to Income Level Need

Housing Fund moneys must be used to assist housing for persons of very low and low-income in at least the same proportion to the total number of housing units needed for each of these income groups in the community. The Association of Bay Area Governments (ABAG) sets the affordable housing need for the Town of Los Gatos. Table IV-4 shows the regional fair share allocation and the targeting objective currently applicable to the Town for housing affordable to persons at or below 120 percent of area median income. The Agency will use the Housing Fund to meet these needs where feasible.

Table IV-4
ABAG Regional Fair Share Allocations, 2007-2014
Affordable Housing Need by Income Category
Los Gatos Redevelopment Agency

Income Group and Relation to County Median Income	Total Housing Units Needed	Expenditure Percentage Need by Income Level
Very Low (0-50%)	154	At least 41%
Low Income (51-80%)	100	At least 27%
Moderate (81-120%)	122	No more than 32%
Total	376	100%

Source: ABAG Draft Regional Housing Needs Allocation, July 2007.

As Table IV-4 indicates, the Agency is required to spend Housing Fund moneys in the following proportions: at least 41 percent for units affordable to very low-income households, at least 27 percent for units affordable to low-income households, and no more than 32 percent on housing affordable to moderate-income households. However, the Agency may spend more funds for housing occupied by very low-income households, but in no event can the expenditures on housing affordable to moderate-income households exceed the threshold amount (32 percent). Units developed pursuant to a replacement-housing obligation under federal or state law do not count against the Agency's income targeting requirement.

c. Targeting to Non-Age Restricted Housing

In addition to the requirement outlined above, as of January 1, 2002, a defined minimum percentage of Housing Fund moneys must be spent on housing available to all persons regardless of age. In 2005, the State Legislature amended the method of determining the minimum percentage of Housing Fund moneys to be spent on non-age restricted housing. This minimum is equal to the percentage of Los Gatos' low-income households with a member under age 65, as reported in the most recent U.S. Census.

The 2000 Census indicates that 58 percent of the Town's low-income households have a householder under 65 years of age, as shown in Table IV-5. Thus, the Agency must expend at minimum 58 percent of its funds on housing that does not impose age restrictions on residents. The Agency will continue to monitor Housing Fund expenditures and expects to be in compliance with the requirement for minimum expenditures on non-age restricted housing by the end of the compliance period.

**Table IV-5
Housing Fund Expenditures Requirements
Non-Age Restricted Housing
Los Gatos Redevelopment Agency**

Age Targeting^a	Low Income Households^b	Expenditure Percentage
With a Householder under 65	2,216	58%
With a Householder 65 and over	1,580	42%
Total	3,796	100%

a. Based on Census data showing low income households by householder age. (The Census does not report low income household information according to the age of household members.)

b. Includes households earning 80% or less of AMI based on limits published by HCD in 2000.

Source: 2000 U.S. Census, HCD Income Limits 2000.

3. Affordable Housing Assisted by Housing Fund

The Agency is working to take advantage of various opportunities and initiate actions as necessary, consistent with the CRL and the City's Housing Element, to preserve and facilitate the development of housing affordable to households whose basic needs are not being met by the private housing market.

The Agency expects to meet and exceed its housing production obligations under the CRL. The Agency will implement the Affordable Housing Program, utilizing both the Non-Housing and Housing Funds as appropriate, in a strategic approach to assist residential development projects, in creating and preserving affordable housing within the community, as well as in meeting the Agency's housing production requirement.

During FY 2005/06 through FY 2007/08, the Agency used its Housing Fund moneys to provide a \$100,000 grant each year to the Housing Trust of Santa Clara County (HTSCC) to be used towards providing affordable housing within the Town of Los Gatos for households of very low, low and moderate-income. For FY 2008/09, the Agency has earmarked \$778,000 as a loan to a local non-profit, Senior Housing Solutions, to acquire and rehabilitate a home that will be used to provide five to six units of shared housing for low-income seniors.

C. Housing Production Plan

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

1. Agency Housing Obligation and Production

The CRL provides that a redevelopment agency is responsible for ensuring that the following housing obligations are met:

- Fifteen percent of all new housing units developed in project areas by entities other than the agency, and thirty percent of all new housing units developed by the agency, must be made available at an affordable housing cost to persons of very low, low and moderate-income ("Inclusionary Housing").
- Whenever very low, low and moderate-income housing units are destroyed or removed as part of a redevelopment project, such units will be replaced within four years of their destruction or removal. One hundred percent of those replacement units must be affordable to the same income categories as the persons displaced ("Replacement Housing").

The CRL requires the Agency to count substantially rehabilitated units as part of the Agency's total housing production obligation. Prior to January 1, 2002, the CRL (under AB 1290) defined substantially rehabilitated dwelling units as substantially rehabilitated multifamily rental dwelling units (with three or more units) or agency-assisted substantially rehabilitated single-family dwelling units (with one or two units). AB 637 modified the CRL definition of substantially rehabilitated dwelling units so that, as of January 1, 2002, only agency-assisted substantially rehabilitated multifamily (three or more units) and agency-assisted substantially rehabilitated single family dwelling units (one or two units) will be included in the production unit calculation.

Table IV-6 presents the Agency's historically and projected future production obligation.

Table IV-6
Housing Production and Affordable Housing Obligation
Los Gatos Redevelopment Agency

	Actual Through FY 2006/07	Projected FY 2007/08 - FY 2008/09	Projected FY 2009/10 - FY 2013/14	Projected FY 2014/15 - End of Plan	Compliance Period FY 2004/05 - FY 2013/14 ^a	Total over Life of Plan ^b
Housing Production in Project Area^c						
New Units	122	10	10	10	142	152
Substantial Rehabilitation	0	0	0	0	0	0
Total	122	10	10	10	142	152
CRL Affordable Housing Obligation^d						
Very Low	8	1	1	1	10	11
Low and Moderate	11	1	1	1	13	14
Affordable Housing Production^e						
Very Low	27	3	17	3	47	9
Low and Moderate	28	1	4	2	33	14
Affordable Production Surplus (Deficit)^f						
Very Low	19	2	16	2	37	39
Low and Moderate	17	0	3	1	20	21

a. As required by CRL, total units over ten year compliance period (Section 33490(a)(2)(B)). For FY 2004/05 through FY 2006/07, housing and affordable production numbers are based on actual units constructed. Estimated production is used for the remainder of the compliance period.

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

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

d. Number of affordable units required based on units produced. Affordable housing production obligation for non-Agency developed housing requires 15% of total units to be available at affordable cost. Of those units, at least 40% must be affordable to very low income households (6% of the total units).

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

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

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

2. Affordable Housing Production Plan

This section discusses affordable housing production in the Project Area and the Agency's strategy for meeting its affordable housing obligation. The Agency expects to meet its legal housing production obligations under Community Redevelopment Law (CRL).

The Agency itself has not developed any housing in the community in the past, nor does it have plans to do so at any time in the future. The Agency has found it most cost effective and administratively efficient to provide financial assistance, as necessary, to private developers (both for-profit and nonprofit) and homeowners to produce affordable housing, than for the Agency to act as a housing developer. Consequently, the Agency does not have an affordable housing production requirement with respect to Agency-developed housing.

In carrying out its purpose to preserve, improve and increase the Town's affordable housing supply, the Agency may work with the private sector as opportunities arise, providing financial assistance to be used for the acquisition of land or buildings, construction of buildings, on- and off-site improvements, rehabilitation of buildings, preservation of affordable housing, and gap financing, among others.

D. Replacement Housing Plan

The Agency did not have any replacement obligations during the last five-year Implementation Plan period and has no plans to destroy or remove any residential units. As the Agency does not expect the displacement of any households in the next ten years, it does not expect to incur an obligation to replace any units. In the event that the removal of housing is to be needed in the future, the Town and Agency would follow all state requirements for replacement housing and relocation, and make every effort to relocate persons as close as possible to their current place of residence.

E. Housing Expenditures and Projects for the Remainder of the Period

1. Housing Trust of Santa Clara County

The Agency provided an annual grant of \$100,000 to the Housing Trust of Santa Clara County (HTSCC) for FY 2005/06 through FY 2007/08 using Housing Fund moneys. The grants are being used by the HTSCC to increase the supply of housing affordable to very low, low and moderate-income households in the Town of Los Gatos.

2. Senior Housing Solutions

For FY 2008/09, the Agency has earmarked approximately \$778,000 to be loaned to Senior Housing Solutions (SHS); a non-profit agency that creates shared housing for low-income seniors. The loan will be used by SHS to acquire and rehabilitate a home, potentially within the Project Area, on which it will provide five to six units of low-income senior housing. SHS expects the home to be completed by December 2008 and fully occupied by the first quarter of 2009.

3. Opportunity Sites

The Agency will continue to explore redevelopment opportunities in the Project Area that have the potential to become opportunity sites for both affordable and market rate housing development in the future.

F. Completion of Housing Obligations

CRL Section 33333.8, requires that an agency comply with and fulfill its affordable housing responsibilities, including housing fund, replacement housing and affordable housing production responsibilities, prior to the expiration of the time limit on redevelopment plan effectiveness. A redevelopment project cannot be terminated if an agency has not complied with its affordable housing obligations.

The law further requires that the midterm review needs to address the ability of the agency to comply with its housing responsibilities if the redevelopment project is within three years of reaching its limit on plan effectiveness. The redevelopment project is not within three years of reaching this time limit at the time of this Midterm Review.

G. Conclusion

The Agency has been working diligently towards achieving its housing goals for the Implementation Plan period. While the Agency expects to have a production surplus through the remainder of the Implementation Plan period, it is working to further increase the number of low and moderate-income housing in the Project Area beyond the Housing Production Obligation.

Five-Year Implementation Plan FY 2004/05 to FY 2008/09

October 2004

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**Central Los Gatos Redevelopment Project
Five-Year Implementation Plan
FY 2004/05 - FY 2008/09**

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**Central Los Gatos Redevelopment Project
Five-Year Implementation Plan
FY 2004/05 - FY 2008/09**

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Central Los Gatos Redevelopment Project Five-Year Implementation Plan FY 2004/05 - FY 2008/09

I. Introduction

Section 33490 of the California Community Redevelopment Law (the "CRL") requires that a redevelopment agency administering a redevelopment plan prepare and adopt a five-year implementation plan for its project areas. The principal goal of the implementation plan is to guide an agency in implementing its redevelopment program to help eliminate blighting influences. In addition, the affordable housing component of the implementation plan provides a mechanism for a redevelopment agency to monitor its progress in meeting both its affordable housing obligations under the CRL and the affordable housing needs of the community. In effect, the implementation plan is a guide, incorporating the goals, objectives and potential programs of an agency for the five-year Implementation Plan period, while providing flexibility so the agency may adjust to changing circumstances and new opportunities.

This document constitutes the FY 2004/05 through FY 2008/09 Implementation Plan for the Central Los Gatos Redevelopment Project Area (the "Project Area"), which was established in November 1991. This Implementation Plan outlines the program of revitalization, economic development, and affordable housing activities of the Los Gatos Redevelopment Agency (the "Agency") for FY 2004/05 through FY 2008/09, the required five-year planning period. In addition, information for later years is provided in the housing component of this Implementation Plan, as required by the CRL.

The Affordable Housing Production Plan is included in Chapter III, and covers historical and projected housing production in the Project Area, the Agency's affordable housing production obligation, and the Agency's plans to meet its obligation.

A. Organization

Generally, the implementation plan must contain the following information:

- Specific goals and objectives for the next five years for both housing and non-housing activities.
- Specific programs and expenditures for the next five years for both housing and non-housing activities.
- An explanation of how the goals, objectives, programs and expenditures will assist in the elimination of blight and in meeting affordable housing obligations.
- Other information related to the provision of affordable housing.

Chapter I provides a basic discussion of the CRL requirements, Project Area description, Agency accomplishments to date, and goals and objectives for the Project Area. Chapter II summarizes the proposed Non-Housing activities and related revenues and expenditures for the five years, and a description of the blighting conditions and how they will be alleviated by the activities. Chapter III addresses affordable housing activities and expenditures, and charts Agency progress in meeting its affordable housing obligations. Chapter III also includes the Affordable Housing Production Plan and Housing Program.

B. Interpretation

The Implementation Plan is intended to provide general guidance for the implementation of the Agency's programs and activities. The Agency expects that particular constraints and opportunities, not fully predictable at this time, will arise in the course of undertaking the projects and activities described in this Implementation Plan over the next five years. Therefore, the Agency intends to use and interpret this Implementation Plan as a flexible guide. The Agency acknowledges that specific projects and activities as actually implemented over the next five years may vary in their precise timing, location, cost, expenditure, scope and content from those set forth in this document.

In developing its affordable Housing Program, the Agency has been guided by the goals and objectives of the Town's Housing Element of the General Plan, incorporated into this Implementation Plan by this reference. Through its affordable housing activities, the Agency will support and advance the overall Housing Element programs as well as contribute to the implementation of the policies and strategies identified in the Town's General Plan, as presented in Chapter III.¹

C. Description of the Redevelopment Plan and Project Area

The Central Los Gatos Redevelopment Plan (the "Redevelopment Plan") was adopted by the Los Gatos Town Council by Ordinance 1882 on November 25, 1991. The Central Los Gatos Redevelopment Project Area consists of 441 acres including the Central Business District, the Civic Center and the Historic Downtown residential neighborhoods. Figure I-1 details the Project Area.

The purpose of establishing the Redevelopment Plan was to provide a financing tool to assist the Town and its residents to repair damage from the Loma Prieta earthquake and complete seismic strengthening and safety programs to ensure the public safety and welfare. The Redevelopment Project was also intended to be a financing mechanism to assist in alleviating blighting conditions, revitalizing the downtown commercial area and reconstructing deteriorated infrastructure. All rehabilitation and development activities outlined in the Redevelopment Plan must conform to the Town's existing and future planning programs including the General Plan.

The Redevelopment Plan identified categories of public infrastructure, commercial rehabilitation and housing improvement projects to be funded by the Agency, which are listed below:

- Street reconstruction
- Alley improvements
- Improvements to the Downtown
 - Streetscape improvements
 - Loans for seismic strengthening
 - Loans/assistance for geologic investigations and structural analysis
 - Facade improvements
 - Parking facilities
 - Hazardous waste removal
- Improvements to community facilities
 - Structural analysis

¹ The parts of the Implementation Plan that address the affordable housing requirements must be adopted every five years either in conjunction with the community's housing element cycle or the implementation plan cycle. (Section 33490(a)(1)(A))

- Seismic strengthening and repair
- Public transit facilities
- Assistance to increase and improve the supply of low and moderate income housing

Table I-1 provides a summary of the time and financial limits of the Redevelopment Plan for the Project Area.

Table I-1
Summary of Central Los Gatos Redevelopment Plan
Time and Fiscal Limits

	Central Los Gatos Project Area
Background Information	
Total Acres	441
Date of Adoption	11/25/1991
Time Limits	
Incurring Debt	11/25/2011
Plan Effectiveness (Project Activities)	11/25/2031
TI Collection/Repayment of Debt	11/25/2041
Eminent Domain	12/25/2015
Financial Limits	
Tax Increment Cap	\$250 million
Bond Limit	\$52 million

Source: Town of Los Gatos Redevelopment Agency.

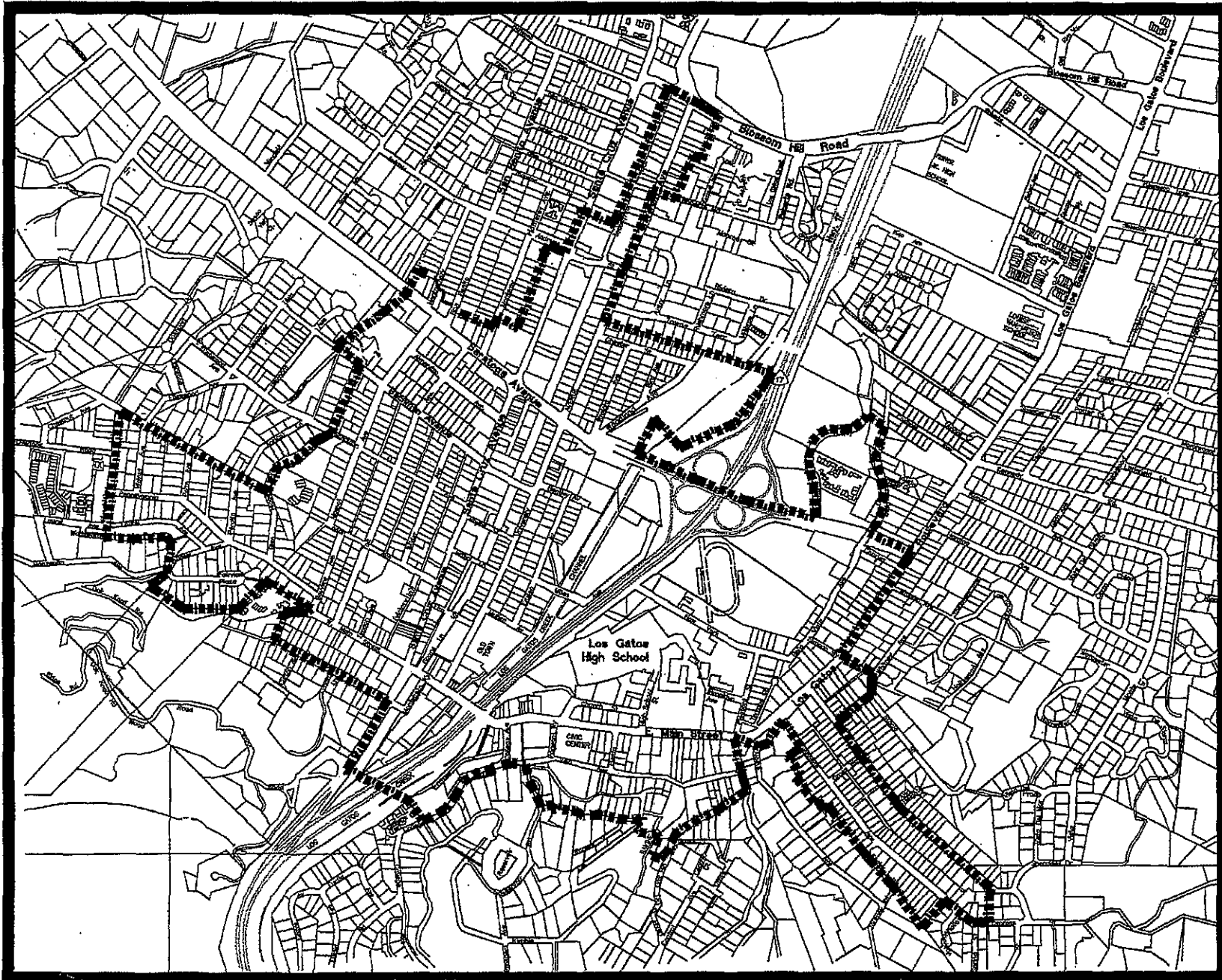
D. Agency Accomplishments, FY 1999/00 – FY 2003/04

The Agency first received tax increment revenues in FY 1992/93. The small amount of revenue received from FY 1992/93 through 1998/99 precluded the Agency from formally initiating any large scale redevelopment projects. The revenues received during this time period were predominately used to fund required administrative activities, planning activities, model capital improvements in the Downtown and interest payments on the start up loan from the Town.

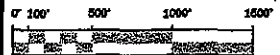
The Agency achieved several Non-Housing projects and activities in the Project Area during the last five-year Implementation Plan period, FY 1999/00 through 2003/04, including the following:

- Began to implement a Downtown Commercial Revitalization Plan, which included street improvements, parking reconfigurations, development of a Parking Management Program and renovation of the Town Plaza.
- Implemented projects to reconstruct substandard alleys and deteriorated public improvements, facilities and utilities, including repair and reconstruction of the Massol/Tait storm drain.
- Performed streetscape improvements along Santa Cruz Avenue.
- Completed key components of the Parking Management Plan, including construction of the South Side Lot and Montebello Lot.
- Implemented first phase of parking zones.

Central Los Gatos Redevelopment Project



Scale



Los Gatos Planning
November 21, 1994
DWG: K.J. Thornton

During the last five-year Implementation Plan period, the Agency implemented several Housing projects and activities in the Project Area. All projects were targeted to very low income households. They included a 12-unit project on Miles Avenue and a one unit Habitat for Humanity project on Charles Street. The Agency also provided assistance to the Blossom Hill project, which is located outside the Project Area. The project provided one very low income senior housing unit.

E. Five-Year Goals and Objectives

The implementation plan provisions of the CRL require the Agency to establish goals and objectives for the Project Area for the five-year planning period. The following major goals and objectives will be pursued by the Agency, which are the same as those for the overall Redevelopment Program:

- The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including among others, obsolete and aged building types, substandard alleys and inadequate or deteriorated public improvements, facilities and utilities.
- The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
- The replanning, redesign and development of undeveloped areas which are stagnant or improperly utilized.
- The provision of opportunities for owner and tenant participation in the revitalization of their properties.
- The strengthening of retail and other commercial functions in the downtown area.
- The strengthening of the economic base of the Project Area and the community by the installation of needed site improvements to stimulate new commercial/light industrial expansion, employment and economic growth.
- The provision of adequate land for parking and open spaces.
- The establishment and implementation of performance criteria to assure high site design standards and environmental quality and other design elements which provide unity and integrity to the entire Project.
- The expansion and improvement of the community's supply of low and moderate income housing.

II. Non-Housing Implementation Plan

This section describes the five-year Non-Housing Redevelopment Program, including a summary of the project and activity descriptions, deficiencies to be corrected, and estimated revenues and expenditures. As they are implemented, the projects and activities may be modified over time to better serve the purposes of redevelopment. The cost estimates are preliminary and subject to refinement as the Redevelopment Program planning and implementation proceed. Some of these projects and activities may not be completed within the next five years of the Redevelopment Program, and thus, related costs may not be incurred in the next five years.

A. Redevelopment Program FY 2004/05 – FY 2008/09

The Agency will undertake projects and activities in the Project Area over the next five years to alleviate blighting conditions and attain the Redevelopment Program goals and objectives. The projects and activities can be categorized into four basic program categories, as described below.

1. Downtown Commercial Revitalization Plan

A goal of the Redevelopment Program for FY 2004/05 through FY 2008/09 is to continue to implement a Downtown Commercial Revitalization Plan. Projects and activities include the following:

- Construct street improvements in Downtown, including new sidewalks and bulb outs on Santa Cruz Avenue and Main Street.
- Reconfigure parking to provide additional parking spaces in the Downtown Core.
- Continue to implement the Parking Management Program to make better use of existing parking, identify new parking opportunities and methods of financing new parking facilities.
- Implement a façade grant program.

2. Public Improvements, Facilities and Utilities

The Agency will continue to repair or reconstruct the substandard alleys and damaged, inadequate or deteriorated public improvements, facilities and utilities in the Project Area through the following:

- Develop a list of capital projects, estimated cost and projected revenues for the Agency and present to Town Council to help establish priorities.
- Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.
- Reconstruct deteriorated streets within the Project Area.
- Beautify Main Street Bridge.
- Provide gateway projects at Highway 9 and North Santa Cruz Avenue.
- Provide gateway projects at Wood Road and South Santa Cruz Avenue.
- Pave Main Street.
- Provide alley improvements.
- Provide multi-use fountain at Highway 17 and Main Street Trail Head.
- Improve curbs, gutters and sidewalks.
- Underground utilities.

- Make Americans with Disabilities Act (ADA) accessibility improvements.

3. Affordable Housing

The Affordable Housing Program promotes residential development on vacant and underutilized sites in the Project Area. Through this program the Agency will increase and preserve housing affordable to very low, low and moderate income households. Components of this program include assistance for the construction of affordable housing and a loan program to assist in the development of secondary dwelling units for very low, low and moderate income households. Chapter III describes planned housing activities in more detail.

4. Agency Administration

The Agency will continue to have various administration and operational requirements associated with implementing the above projects and activities. These will include program staff, planning functions and legal and other technical assistance.

B. Linkage Between Proposed Redevelopment Program and Elimination of Blighting Influences

An implementation plan must provide an explanation of how the goals, objectives, programs and expenditures for the five-year planning period will serve to eliminate blighting conditions in a project area. The five-year Redevelopment Program described above will continue the process of improving the Project Area and alleviating blighting conditions. Table II-1 on the following page provides a matrix summarizing the relationship between proposed goals, objectives, projects and activities and how they will eliminate blight. Section B.2 further describes how deficiencies will be corrected by the projects and activities proposed for the next five years.

1. Blighting Conditions in the Project Area

a. Unsafe Buildings – Age, obsolescence, deterioration, faulty interior arrangement, seismic and exterior spacing

The Project Area contains numerous public, commercial and residential buildings that do not meet current public safety codes due to lack of seismic reinforcement and age. A survey conducted in 1991 showed that 30 percent of the 1,200 buildings in the Project Area had significant deficiencies, and a minimum of 280 homes in the Project Area were constructed prior to 1900. In addition, areas exist within the Project Area that have poorly maintained commercial and residential buildings, some of which cannot be used and necessitate significant code enforcement oversight.

b. Physically Obsolete Buildings/Lots – Lack of Parking

The Central Business District, which forms the core of the Project Area, is primarily characterized by small lots under separate ownership. These small lots are of inadequate size to meet current retail standards. Further, the majority of businesses located in this area do not have adequate on-site parking.

Table II-1
Linkage of Five-Year Programs and Activities With Elimination of Blight
Los Gatos Redevelopment Agency

Program Categories and Activities	Blighting Conditions				
	Deficient & Deteriorated Buildings	Physically Obsolete Buildings/ Lack of Parking	Deteriorated and/or Inadequate Utilities	Depreciated or Stagnant Property Values/ Economically Obsolete Buildings	Inadequate Public Improvements
Downtown Commercial Revitalization Plan					
Construct street improvements in Downtown, including new sidewalks and bulb out on Santa Cruz Avenue and Main Street.			■		■
Reconfigure parking to provide additional parking spaces in the Downtown Core.		■			
Continue to implement the Parking Management Program.		■			
Implement a façade grant program.	■			■	
Public Improvements, Facilities and Utilities					
Develop a list of capital projects, estimated costs and projected revenues for the Agency and present to Town Council to help establish priorities.	■	■	■	■	■
Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.		■			■
Reconstruct deteriorated streets within the Project Area.					■
Beautify Main Street Bridge.					■
Provide gateway projects at Highway 9 and North Santa Cruz Avenue.					■
Provide gateway projects at Wood Road and South Santa Cruz Avenue.					■
Pave Main Street.				■	■
Provide alley improvements.					■
Provide multi-use fountain at Highway 17 and Main Street Trail Head.					■
Improve curbs, gutters and sidewalks.					■
Underground utilities.			■		
Make ADA accessibility improvements.			■		■

Source: Los Gatos Redevelopment Agency, Seifel Consulting.

c. Deteriorated and/or Inadequate Utilities

The 1989 Loma Prieta earthquake caused significant damage to streets, sidewalks, water lines and storm drains. The heaviest damage in the Town occurred in the Project Area. For example, the Almond Grove neighborhood requires substantial street reconstruction due to earthquake damage and age. The Project Area also contains many alleys which are inadequately paved and require drainage improvements to prevent flooding. In addition, the Project Area has facilities that do not comply with the ADA, creating unsafe conditions for physically challenged persons. The storm drains in the Project Area also require reconstruction to prevent flooding.

d. Depreciated or Stagnant Property Values/Economically Obsolete Buildings/Lots

The Project Area contains irregularly shaped lots with limited access. These lots prevent viable commercial or residential uses, thus stagnating property values and development opportunities

e. Inadequate Public Improvements

The Project Area contains a significant amount of inadequate infrastructure resulting from deterioration, insufficient capacity, and earthquake damage. The deficiencies necessitate improvement and reconstruction of streets, sidewalks, storm drains, water lines, sewer lines, undergrounding utilities, electrical upgrades and conduit upgrades. Furthermore, the Main Street Bridge is in need of improvements.

The Project Area also suffers from inadequate community facilities. For example, there is no performing arts center, and the library, police department and neighborhood center are too small to meet the needs of Town residents.

Although progress has been made in the Project Area, it is clear that blighting conditions remain. Neither the private nor public sectors acting alone are able to surmount all of these conditions. A relatively high proportion of both residential and commercial buildings in the area need redevelopment attention and show evidence of physical deterioration. Further redevelopment activity continues to present the most realistic financing vehicle for removing remaining blighting conditions in the Project Area.

2. How the Agency's Proposed Goals, Objectives, Programs and Expenditures Will Eliminate Blighting Conditions

The Agency's proposed five-year goals, objectives, programs and expenditures, as outlined in Chapter I, Section E and Chapter II, Sections A and D, will help eliminate blighting influences in the Project Area. The Downtown Commercial Revitalization Plan projects and activities remove existing impediments to the development and expansion of Downtown commercial facilities. The projects and activities will improve the deteriorated conditions of streets, sidewalks and curbs in the Downtown, creating safer and more pleasant conditions for both vehicular and pedestrian traffic. The projects and activities will also address the current lack of parking through the implementation of the Parking Management Program. The beautification projects and activities will complement the private sector commercial rehabilitation of the Project Area by alleviating blighting conditions in areas that have suffered economic decline and demonstrating public sector commitment to overall revitalization.

The ongoing improvements of public facilities and utilities will signal to the private sector the Town's commitment to improving the Project Area. These improvements will enhance the competitiveness of the businesses they serve. The public improvements will have a significant positive impact on the residents and businesses of the Project Area. This program makes evident the Town's continuing interest in making Los Gatos a better place to live, work and conduct business. It creates an environment where property

owners, businesses and outside developers have the incentive to make and carry out long range plans. The Agency is committed to enhancing the economic vitality of the Project Area by identifying the needs of existing businesses and attracting new ones. These activities will assist in reversing economic decline.

The expansion of the affordable housing program will allow the Agency to continue to provide increased affordable housing opportunities for Los Gatos residents through the assistance for newly constructed units and the provision of a loan program for secondary dwelling units. The Agency's Housing Fund will be utilized throughout the Project Area and the Town. Chapter III presents the Housing Program in more detail.

C. Five-Year Implementation Plan Resources

The Agency has two primary potential revenue sources: annual tax increment revenues and remaining debt issuance proceeds. The Agency also receives additional income from interest income. The FY 2004/05 starting fund balance equals \$7.6 million of net tax increment and remaining debt issuance proceeds, and the total available resources for Non-Housing programs for the five-year period equal approximately \$7.9 million. Agency resources available for Non-Housing projects and activities are summarized in Table II-2.

1. Debt Issuance Proceeds

The Town issued a Certificate of Participation (COP) in 2002 in the amount of \$10.7 million, all of which was earmarked for the Redevelopment Fund. No proceeds were earmarked for the Housing Fund. The remaining balance of COP proceeds will be available for Non-Housing programs for the FY 2004/05 through FY 2008/09 Implementation Plan period and no debt service on the 2002 COP is funded from the Agency's Housing Fund.

2. Annual Tax Increment Revenues

Tax increment revenues generated in the Project Area during the five-year Implementation Plan period will be used for the payment of pass-through payments, Agency administration, Educational Revenue Augmentation Fund (ERAF) payments mandated to be made by the Agency to address the State budget crisis, debt service and Housing Fund obligations.

3. Other Agency Income

The Agency receives additional revenues from interest income. Approximately \$0.9 million in other Agency income is projected during the five-year Implementation Plan period.

4. Non-Agency Financial Resources

Wherever possible, the Agency has been and will continue to leverage other funds in connection with its redevelopment efforts. The Agency has targeted local, state and federal funding sources to assist in financing eligible projects. As permitted by law, possible funding sources include government grants and assistance programs, as well as private sector sources.

To a limited extent, the Town's development impact fees generated from new development may be a source of public infrastructure and facilities funding when feasible. The Agency will also pursue funds from federal programs including CDBG and HOME Funds, in addition to state and county funds.

Table II-2
Agency Revenue Available for Non-Housing Redevelopment Activities, FY 2004/05 - FY 2008/09
Los Gatos Redevelopment Agency

1	2	3	4	5	6	7	8	9	10
Year	Net Tax Increment Revenues To Agency ^a	Less: Pass-through Payments & Agency Admin. ^b	Less: ERAF Payments ^c	Less: Housing Set-Aside	Less: Non-Housing Debt Obligations ^d	Net Tax Increment	Other Agency Income ^e	Net Debt Issuance Proceeds	Total Funds Available for Non-Housing Projects ^f
Fund Balance through FY 2003/04									\$7,615,000
FY 2004/05	\$4,431,000	\$2,515,000	\$303,000	\$894,000	\$1,069,000	(\$350,000)	\$151,000	\$0	(\$199,000)
FY 2005/06	\$4,626,000	\$2,616,000	\$303,000	\$934,000	\$1,080,000	(\$307,000)	\$150,000	\$0	(\$157,000)
FY 2006/07	\$4,828,000	\$2,721,000	\$0	\$975,000	\$1,090,000	\$42,000	\$171,000	\$0	\$213,000
FY 2007/08	\$5,037,000	\$2,829,000	\$0	\$1,017,000	\$1,089,000	\$102,000	\$203,000	\$0	\$305,000
FY 2008/09	\$5,252,000	\$3,147,000	\$0	\$1,060,000	\$1,098,000	(\$53,000)	\$209,000	\$0	\$156,000
Total	\$24,174,000	\$13,828,000	\$606,000	\$4,880,000	\$5,426,000	(\$566,000)	\$884,000	\$0	\$7,933,000

a. Figures equal the amount remitted to the Agency, which includes the gross tax increment revenues and supplemental AV revenue (80% portion) less Section 33676 Base Year Adjustment Values, or 2% allocation, and County admin fee. Includes a revenue growth rate of 4%.

b. This figure includes Agency non-housing admin costs and pass through payments.

c. Based on California Redevelopment Association estimated FY 2004/05 ERAF Redevelopment Agency deposit. Estimates for FY 2005/06 are currently not published, but are assumed to be the same as the prior year.

d. Includes 1992 COP, 2002 COP and Town Loan interest payments.

e. Includes interest income from RDA debt service and RDA capital projects accounts.

f. Figures equal the sum of net tax increment, other agency income and net debt issuance proceeds.

Fund balance includes funds from RDA debt service and RDA capital projects accounts.

Source: Los Gatos Redevelopment Agency, Urban Analytics, Seifel Consulting.

D. Five-Year Implementation Plan Expenditures

1. Proposed Program Expenditures – Five-Year Period

The Agency has developed programs to implement its goals and objectives for the current five-year Implementation Plan period as described in Chapter I, Section E above. The estimated cost of the FY 2004/05 through FY 2008/09 program of Non-Housing activities is approximately \$7.9 million, as summarized in Table II-3.

The \$7.9 million in Non-Housing program costs over the five-year implementation period matches the estimated Agency resources for Non-Housing activities of approximately \$7.9 million, as summarized in Table II-2. Thus, the Agency has no programmed surplus after undertaking its Non-Housing programs and activities over the next five years.

2. Proposed Programs and Expenditures – Project Life

It is possible that some program activities proposed by the Agency for this Implementation Plan period may not necessarily occur as planned in the five-year period or may not occur at all. It is also possible that other programs not listed in this Implementation Plan may instead be pursued. Further, some of the activities to be undertaken beyond the five-year planning period of this Implementation Plan may actually take place within the five-year planning period if development needs or opportunities warrant undertaking the activities.

The projects, activities and expenditures contained in this Implementation Plan are in part based on certain assumptions made by the Agency relating to revenues, ERAF payments, market conditions, community needs and priorities, and resident and developer interest. Consequently, should Agency assumptions not be realized or unforeseen circumstances arise, further mid-course modifications in programs and this Implementation Plan may be required.

Table II-3
Projected Five Year Non-Housing Redevelopment Program Expenditures
FY 2004/05 - FY 2008/09
Los Gatos Redevelopment Agency

Non-Housing Program Category and Project Description	Proposed Agency Expenditures FY 2004/05 - FY 2008/09 ^a
Downtown Commercial Revitalization Plan	
Construct street improvements in Downtown, including new sidewalks and bulb out on Santa Cruz Avenue and Main Street.	\$1,500,000
Reconfigure parking to provide additional parking spaces in the Downtown Core.	\$50,000
Continue to implement the Parking Management Program.	\$500,000
Implement a façade grant program.	\$10,000
Public Improvements, Facilities and Utilities	
Develop a list of capital projects, estimated costs and projected revenues for the Agency and present to Town Council to help establish priorities.	\$40,000
Reconstruct parking lot surface on parking lots 1, 2, 5 and 6.	\$500,000
Reconstruct deteriorated streets within the Project Area.	\$1,000,000
Beautify Main Street Bridge.	\$100,000
Provide gateway projects at Highway 9 and North Santa Cruz Avenue. ^b	\$150,000
Provide gateway projects at Wood Road and South Santa Cruz Avenue.	\$495,000
Pave Main Street.	\$600,000
Provide alley improvements.	\$200,000
Provide multi-use fountain at Highway 17 and Main Street Trail Head.	\$10,000
Improve curbs, gutters and sidewalks.	\$750,000
Underground utilities.	\$1,000,000
Make ADA accessibility improvements.	\$200,000
Subtotal	\$7,105,000
Unanticipated Opportunities (at approx. 12% of subtotal)	\$828,000
Total	\$7,933,000

a. These listed expenditures do not represent the complete funding for each of these projects.

The Agency will seek to leverage its resources with additional funding opportunities including local, state and federal grants and assistance programs, as well as private sector sources.

b. The proposed expenditure for gateway projects at Highway 9 is predicated on securing grants to complete this project.

Source: Town of Los Gatos.

III. Housing Component

This chapter comprises the housing component of the Implementation Plan, summarizing the Agency's housing obligations pursuant to the legal requirements of the CRL and providing an overall framework for the Agency's Housing Program goals and expenditures. The Agency is guided by the Town's adopted and certified Housing Element of its General Plan. The Agency intends to implement all relevant goals, policies, strategies and programs from the Housing Element, as generally described in this chapter.

This chapter is organized as follows:

- Section A presents an overview of the Agency's affordable housing responsibilities.
- Section B presents more detailed statutory requirements, including requirements for affordable housing production, replacement housing, and the Housing Program Requirement, Low and Moderate Income Housing Fund (Housing Fund) revenues and expenditures.
- Section C includes the Housing Production Plan.
- Section D describes performance of the Replacement Housing Plan requirement.
- Section E details the five year Housing Fund status and deposits.
- Section F includes the Agency's five year Housing Program, annual expenditures, the Housing Fund assisted affordable housing production annual estimates, and expenditure targeting requirements.
- Section G describes the completion of housing obligations.

Please note, Chapter I summarizes the Agency's overall accomplishments for the previous five-year Implementation Plan period (FY 1999/2000 through FY 2003/2004), including both the non-housing and housing accomplishments. Chapter III provides a more detailed description of housing program performance.

A. Overview of Agency Affordable Housing Responsibilities

This section presents an overview of the Agency's CRL obligations related to the provision of affordable housing. The housing portion of the Implementation Plan is required to set forth specific goals and objectives for the five-year Implementation Plan period (FY 2004/05 through FY 2008/09), present estimates of specific Housing Fund deposits, projects and expenditures planned for the five year implementation period, and explain how the stated goals, objectives, deposits, programs, projects and expenditures will produce affordable housing units to meet these obligations. The CRL requires an implementation plan to include the following affordable housing planning components:

- The Housing Production Plan, which includes the total number of housing units to be produced and the number of affordable housing units to be produced for two different time periods:
 - For the ten year compliance period (FY 2004/05 through FY 2013/2014), and
 - For the life of the Redevelopment Plan (through FY 2031/32).
- If a planned project will result in the destruction of existing affordable housing, identification of proposed locations for replacement housing that the Agency would be required to produce.
- Amount available in the Housing Fund, estimates of annual deposits into the Housing Fund during the five-year Implementation Plan period, and the Agency's plans for using the annual deposits to the Housing Fund.

- The Housing Program with estimates of the number of new, rehabilitated or price restricted affordable housing units to be assisted by the Housing Fund during each of the five years, and estimates of the expenditures of moneys from the Housing Fund during each of the five years.
- A description of how the Housing Program will implement the Housing Fund expenditure targeting and other requirements.

B. Statutory Requirements for Housing

This section summarizes the Agency's affordable housing requirements under the CRL and provides background information and analysis regarding affordable housing needs and conditions in the Project Area and the overall community. Relevant section references to the CRL are included in parentheses. The major statutory requirements for affordable housing imposed on redevelopment agencies by the CRL may be categorized generally as:

Affordable Housing Production Requirement (Section 33413): Agencies must cause specified minimum percentages of new or substantially rehabilitated housing units in project areas subject to this requirement to be available to very low, low and moderate income households at a legally defined affordable housing cost.¹

Replacement Housing Requirement (Section 33413): Agencies must replace within four years housing units removed from the housing stock as a result of redevelopment activities.

Housing Fund Requirement (Sections 33334.2, 33334.4 and 33334.6): Agencies are required to deposit specified percentages of tax increment revenue for the provision of affordable housing into the Housing Fund. The CRL also imposes various limits on the use of Housing Fund moneys.

Housing Program (Section 33490(a)(2)(A)): Agencies are required to prepare a Housing Program with estimates of the number of affordable housing units to be assisted during each of the five years, estimates of annual expenditures and a description of how the Housing Program will implement expenditure requirements.

The sections of the Housing Component that address Housing Fund expenditure requirements must be reviewed every five years in conjunction with updating the Housing Element or preparing the next five-year Implementation Plan.

The CRL requirements are described in greater detail in the following sections.

1. Affordable Housing Production Requirement

Redevelopment agencies administering project areas created by redevelopment plans adopted on or after January 1, 1976 and territory added to project areas by amendments adopted on or after January 1, 1976 must meet an affordable housing production requirement. Thus, this requirement applies to the Project Area. As part of an implementation plan, an agency must adopt the Housing Production Plan, a plan showing how the agency intends to meet its affordable housing production requirements. The plan must be consistent with the community's housing element and must cover the following:

- Production over a ten year compliance period (FY 2004/05 through FY 2013/14).
- Production through the life of the Redevelopment Plan (through FY 2031/32).

¹ The CRL currently defines substantially rehabilitated units as all units substantially rehabilitated with Agency assistance. Substantial rehabilitation means rehabilitation, the value of which constitutes at least 25 percent of the after-rehabilitation value of the dwelling, inclusive of land value. (33416(b)(2)(A)(iii))

The Housing Production Plan must include estimates of the number of residential units to be produced within project areas. It also must include the number of units available at an affordable housing cost to very low, low and moderate income households to be developed or substantially rehabilitated in order to meet the affordable housing obligation. (Section 33413) Units produced outside of a project area after January 1, 1994 count one for two towards meeting an agency's affordable production obligation. (Section 33413(b)(2)(A)(ii)) Refer to Section 3.a below for definitions of income categories and affordable housing costs.

Additionally, the plan must include estimates of the number of units the agency itself will produce or provide assistance to produce during the time period of the plan, including the number of units available at an affordable housing cost to very low, low and moderate income households. Section C of this chapter contains the Agency's Housing Production Plan.

a. Agency Developed Housing

The CRL inclusionary housing obligation requires at least 30 percent of all new or substantially rehabilitated dwelling units developed directly by an agency to be available at affordable housing cost to persons and families of very low, low or moderate income. Of those units, at least 50 percent must be affordable to very low income households. The 50 percent requirement translates to 15 percent of the total number of units developed or rehabilitated by an agency (50 percent of 30 percent equals 15 percent). This requirement applies only to units developed by an agency and does not apply to units developed by housing developers pursuant to agreements with an agency. (Section 33413(b)(1)) This production requirement would apply if the Agency develops units in the Project Area.

b. Housing Not Developed by the Agency

When new dwelling units are developed in a project area by public or private entities other than the agency or when housing is substantially rehabilitated in a project area by public or private entities with agency assistance, at least 15 percent of these units must be affordable to very low, low or moderate income households.² The income definitions are included in Section 3.a. below. Of those units, at least 40 percent must be affordable to very low income households. This 40 percent requirement for very low income households translates to 6 percent of the total number of units (40 percent of 15 percent equals 6 percent). (Section 33413(b)(2)) This affordable housing production requirement applies to the Project Area.

c. Duration and Enforceability of Affordability Covenants

As of January 1, 2002, rental units must be subject to affordability covenants of the longest feasible time, but not less than 55 years for rental units and 45 years for owner occupied units to meet the affordable housing production requirement.³ (Section 33413(c)(1)) An agency may permit sales of owner occupied units prior to the expiration of the 45 year period for a sales price in excess of affordable cost pursuant to a program that protects the agency's investment of Housing Fund monies, including, but not limited to, a program that establishes a schedule of equity sharing that permits retention by the seller of a portion of the excess proceeds, based on the length of occupancy. The remainder of the excess proceeds of the sale must be allocated to the agency and deposited in the Housing Fund. Within three years from the sale of the units, the agency must expend funds to make affordable an equal number of units at the same income

² Prior to 1994, the rehabilitation of any unit, whether substantial or not, triggered affordable housing production requirements. After 1993 and until January 1, 2002, housing production requirements were triggered by (a) the substantial rehabilitation of a multifamily residential project with three or more units regardless of whether an agency provided financial assistance and (b) the substantial rehabilitation of a one or two unit residential project if the project received Agency assistance. AB 637 and SB 701, effective January 1, 2002, impose the affordable housing production requirement on substantial rehabilitation projects that receive agency assistance.

³ Prior to AB 637 and SB 701 in 2002, in order for units to count towards fulfilling affordable housing production requirements, units had to be subject to affordability covenants of at least the duration of the Redevelopment Plan's land use controls.

level as the units sold. Only the units originally assisted by the agency can count towards the agency's affordable housing replacement and production obligations. (Section 33413(c)(2))

An agency must require the recording of affordability covenants or restrictions for each parcel unit with the office of the county recorder of covenants or restrictions. Covenants and restrictions must run with the land and are enforceable by the agency or community. (Section 33413(c)(3))

d. Agency Acquisition of Affordability Covenants

To satisfy the affordable housing production requirements, an agency may purchase or otherwise acquire affordability covenants on existing multifamily housing units that are not presently available at affordable housing cost, or are affordable to households of low or very low incomes but are units that the agency finds, based upon substantial evidence after a public hearing, cannot reasonably be expected to remain affordable to the same group of persons or families. Affordable units made available by an agency's acquisition of long term affordability covenants may count towards the agency's affordable housing obligation. The covenants must be for at least 55 years for rental units and 45 years for owner occupied units. However, no more than 50 percent of an agency's housing obligation can consist of units made available by the acquisition of long term affordability covenants, and not less than 50 percent of units made available by the acquisition of long term affordability covenants shall be available at an affordable housing cost to, and occupied by, very low income households. (Sections 33413(b)(2)(B) and (C))

2. Replacement Housing Requirement

The replacement housing requirement applies to project areas established by redevelopment plans (or areas added by amendments) adopted on or after January 1, 1976, and merged project areas regardless of the date of establishment of the individual project areas subsequently merged. Thus, this requirement applies to the Project Area.

When residential units sheltering very low, low and moderate income households are destroyed or removed, or are no longer affordable due to agency action or assistance, an agency must cause the replacement of the units within four years. Each replacement unit must include at least the same number of bedrooms as the units that were removed. The units may be replaced with fewer units if an equal or greater number of bedrooms are provided. For example, four two bedroom units may be replaced with two four bedroom units. (Section 33413) At least thirty days prior to acquiring property or adopting an agreement that will lead to the destruction or removal of low and moderate income housing units, an agency must adopt by resolution a Replacement Housing Plan that generally describes the location, timing and method by which replacement housing will be provided. (Section 33413.5)

Replacement units may be located anywhere within the territorial jurisdiction of the agency.⁴ (Section 33413(a)) An agency may either construct replacement housing, or assist with the development of replacement housing through agreements with housing developers.⁵

a. Income and Affordability Requirements

The basic income and affordability standards for replacement housing are the same as those for the affordable housing production requirement and for use of Housing Fund moneys, as described below in Section 3. The units must be available at affordable housing cost to households of very low, low and moderate income. As of January 1, 2002, the CRL requires 100 percent of replacement units to be

⁴ For city agencies, replacement units can be located anywhere within the city and for county agencies, replacement housing can be located anywhere within the unincorporated portion of the county.

⁵ Replacement housing units located inside a project area count towards the housing production requirement on a 1:1 basis. Replacement units located outside a project area count on a 1:2 basis.

available at affordable housing cost to the same income level of households as the households displaced. For dwelling units destroyed or removed after September 1, 1989 and before January 1, 2002, the CRL required that 75 percent of the replacement units be available at affordable housing cost to the same income level of households (very low, low or moderate income) as were displaced from the units removed or destroyed. (Section 33413(a)) Replacement units do not have to match the tenure (rental versus ownership) or tenancy (age restricted or non-age restricted) of the units that were destroyed.

b. Duration and Enforceability of Affordability Covenants

The affordability duration and enforceability requirements for replacement housing are the same as those required for affordable housing production. (Section 33413(c)) Refer to Subsection 1.c. above for a description of the requirements.

c. Priority Households

An agency must give priority in renting or buying housing developed as part of a redevelopment project to households displaced by an agency regardless of whether the units are inside or outside of a project area. As of January 1, 2002, AB 637 requires an agency to maintain a list of displaced households who are to be given priority. An agency may establish rules to determine priority among households.

The Agency does not anticipate that any of its current or planned redevelopment activities would require the relocation of households. However, if future redevelopment activities were to require relocation, the Agency would make every effort to minimize the extent of relocation in the Project Area. All affected households would be eligible for the Agency's relocation program. Furthermore, the Agency would meet its replacement housing obligations, as described above.

3. Housing Fund Requirement

The CRL requires an agency to set aside in a separate Low and Moderate Income Housing Fund (the Housing Fund) at least 20 percent of all tax increment revenue generated from its project areas. The funds must be used for the purpose of increasing, improving and preserving the community's supply of affordable housing. Such housing must be available at affordable housing cost and occupied by households of very low, low or moderate income. (Sections 33334.2 and 33334.3)

Accordingly, the Project Area contributes tax increment revenues to a Housing Fund. The Agency's deposits into the Housing Fund are described in Section E.

The CRL imposes Housing Fund expenditure requirements based on the proportion of unmet need for housing affordable to households of very low, low and moderate incomes.⁶ (Section 33334.4(a)) It also requires a minimum percentage of Housing Fund expenditures be spent on non-age restricted housing. (Section 33334.4) The CRL also places other limits on the use of Housing Fund moneys, as described below. Section F describes the Agency's compliance with meeting the expenditure requirements.

a. Income Levels and Affordable Housing Cost

Agencies are specifically required to expend their Housing Fund to assist very low, low and moderate income households, generally defined as:⁷

- Very Low Income households do not exceed 50 percent of area median income, adjusted for family size.
- Low Income households do not exceed 80 percent of area median income, adjusted for family size.

⁶ As provided by AB 637 and SB 701.

⁷ The Health and Safety Code defines low and moderate income in Section 50093, low income in Section 50079.5, and very low income in Section 50105.

- Moderate Income are from 80 percent up to 120 percent of area median income, adjusted for family size.

Table III-1 shows the maximum income limits for each income level by household size, as published by the State of California Department of Housing and Community Development (HCD) utilizing income limits prepared by the U.S. Department of Housing and Urban Development (HUD) for Santa Clara County.

Table III-1
2004 Santa Clara County Maximum Incomes
by Income Category and Household Size
Los Gatos Redevelopment Agency

Household Size	1	2	3	4	5	6	7	8
Very Low Income	\$37,150	\$42,450	\$47,750	\$53,050	\$57,300	\$61,550	\$65,800	\$70,050
Low Income	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450	\$105,250	\$112,050
Median Income	\$73,850	\$84,400	\$94,950	\$105,500	\$113,950	\$122,400	\$130,800	\$139,250

Source: State of California, Department of HCD, February 2004.

Housing assisted by Housing Fund moneys must be available to low and moderate income households at an affordable housing cost in accordance with the CRL.⁸ For housing assisted by Housing Fund moneys after January 1, 1991, the affordable housing cost definitions presented in Table III-2 apply. For housing assisted by Housing Fund moneys prior to January 1, 1991, affordable housing cost is defined as rent or cost for rental or ownership housing that does not exceed 25 percent of the household's gross income.

⁸ CRL Section 50052.5 includes the definition of affordable housing cost. AB 637 added the words "occupied by" to all references in the CRL that refer to the requirement that housing units be "affordable to" low and moderate income households in order to clarify the existing law that the units required to be "available" at affordable housing cost to qualifying households are also required to be "occupied by" such households.

Table III-2
Affordable Housing Cost
Los Gatos Redevelopment Agency

Income Level	Rental Housing ^a		Ownership Housing	
	% Income Spent on Housing	% of Area Median Income	% Income Spent on Housing	% of Area Median Income
Very Low	30%	50%	30%	50%
Low	30%	60 %	30%	70% ^b
Moderate	30%	110%	35% ^c	110%

^a Rental housing costs include rent and utility allowance. Affordable housing costs are adjusted by number of persons in household.

^b If the gross income of the low income household is between 70% and 80% of Area Median Income, the Agency may optionally require that housing cost not exceed 30% of the actual gross income of the household.

^c But not less than 28 percent of actual income.

Source: CRL Section 50052.5.

b. Targeting According to Income Need

Housing Fund moneys must be used to assist housing for persons of very low and low income in at least the same proportion as the total number of housing units needed for each of these income groups in the community bears to the total number of units needed for very low, low, and moderate income groups within the community. The proportion is calculated based on the number of housing units needed for very low income and low income households divided by the total number of units needed for all three income levels within the community. (Section 33334.4) This income targeting obligation must be met over the ten year compliance period.⁹ However, the initial period for meeting this requirement will be January 1, 2002, the date AB 637 became effective, through the ten year compliance period ending in 2014. (Section 33490(a)(2)(A)(iii))

The Association of Bay Area Governments (ABAG) has determined the affordable housing need for the Town of Los Gatos in its regional fair share allocation for 1999 through 2006. Table III-3 shows the fair share allocation applicable to the Agency for housing affordable to persons at or below 120 percent of median income.

⁹ The Agency's first compliance period commenced with the adoption of the Agency's first Implementation Plan and extended for a ten year period through FY 2003/04, which is concurrent with the Agency's first two five-year Implementation Plan periods (July 1, 1994 through June 30, 2004). To the extent the Agency has affordable housing production deficits or surpluses from the first compliance period, such obligations must be taken into account in the Agency's current ten-year compliance period (July 1, 2004 through June 30, 2014).

Table III-3
ABAG Regional Fair Share Allocations 1999-2006
Affordable Housing Need by Income Category
Town of Los Gatos

Income Group and Relation to County Median Income	Total Housing Units Needed	Expenditure Percentage Need by Income Level ^a
Very Low (0-50%)	72	At least 35%
Very Low and Low (0-80%)	107	At least 52%
Moderate (81-120%)	97	No more than 48%
Total	204	100%

Source: ABAG Regional Housing Needs Determinations, Town of Los Gatos, March 15, 2001.

^aSee paragraph below for further explanations.

As Table III-3 indicates, to supply its regional fair share of housing, the Agency is required to expend Housing Fund moneys in the following proportions: at least 35 percent for units affordable to very low income households, at least 52 percent for units affordable to low and very low income households, and no more than 48 percent on housing affordable to moderate income households. The Agency is entitled to expend a disproportionate amount of the funds for very low income households, and to subtract a commensurate amount from the low and/or moderate income thresholds. Similarly, the Agency can provide a disproportionate amount of funding for low income housing by reducing the amount of funds allocated to housing affordable to moderate income households. But in no event can the expenditures on housing affordable to moderate income households exceed the threshold amount (48 percent).

Under the CRL, an agency is allowed to reduce its income targeting requirement if other locally controlled funding is producing newly constructed housing for the targeted incomes, so long as such units are produced without any agency assistance and their continued affordability is ensured through long term affordability covenants (at least 45 years for owner occupied and 55 years for rental). An agency may adjust the income targeting proportion by subtracting from the need identified for each income category the number of units for persons of that income category that are newly constructed with other locally controlled government assistance over the duration of the implementation plan. However, an agency cannot subtract units developed pursuant to a replacement housing obligation under federal or state law. (Section 33334.4(a)) Locally controlled means government assistance where the local government entity has discretion and authority to determine the recipient and the amount of assistance. (Section 33334.4) Examples of such funding are CDBG, HOME Investment Partnership Program, and fees received by a city or town pursuant to a city or town authorized program.

c. Targeting to Non-Age Restricted Housing

In addition to the requirement outlined above, a defined minimum percentage of Housing Fund moneys must be spent on housing available to all persons regardless of age. (Section 33334.4(b)) This minimum is equal to the percentage of Los Gatos' population under age 65, as reported in the most recent U.S. Census. As shown in Table III-4, the 2000 Census indicates that 84.7 percent of the Town's population is under 65 years of age. Thus, the Agency must expend at least 84.7 percent of its funds on housing that does not impose age restrictions on residents. This requirement must be achieved over the period between January 1, 2002 and the ten year compliance period ending in 2014.

Table III-4
Housing Fund Expenditures Requirement
Non-Age Restricted Housing
Town of Los Gatos

Age Targeting	Population	Expenditure Percentage
Less than 65	24,208	84.7% minimum expenditures
65 and over	4,384	15.3% maximum expenditures
Total	28,592	100% total expenditures

Source: 2000 U.S. Census

d. Duration and Enforceability of Affordability Covenants

The affordability duration and enforceability requirements for units assisted by Housing Fund moneys are the same as those required for affordable housing production and replacement housing. Refer to Section 1c above for a description of the requirements. ((Sections 33334.3(f)(1) and (2))

e. CRL Restrictions on Use of Funds

Housing Fund Leveraging

The CRL prohibits agencies from using Housing Fund moneys to the extent that other reasonable means of private or commercial financing are available. Whenever possible, Housing Fund moneys should leverage other funding resources and not be used when private or commercial funding is available. (Section 33334.3(j)) When more than 50 percent of an affordable housing development's funding is provided solely from the Housing Fund, an agency must make a finding that no other private or commercial funding sources could be reasonably obtained.

Use of Funds outside of Project Area

- An Agency can use funds outside a project area upon resolution by the agency and legislative body that the use can benefit the project. (Section 33334.2(g))
- If an agency has more than one project area, it can spend housing funds from one project area in other areas, pursuant to a resolution by the agency and legislative body that such use of the funds will benefit the project. (Section 33334.2(i))
- For merged project areas, Housing Fund moneys may be spent outside the merged areas upon resolution of the agency and the legislative body that the use will be of benefit to the projects. (Section 33487(b))

Other Limitations on Use of Housing Fund Moneys

The CRL imposes limits on the use of Housing Fund moneys for the construction of infrastructure and public improvements. (Section 33334.2(e)(2)) The conditions under which Housing Fund moneys may be used to fund these costs are:

- The improvements must be a reasonable and fundamental component of the new construction or rehabilitation of income restricted housing units that are directly benefited by the improvements.
- Affordability controls of not less than 55 years must be imposed on rental units and affordability controls of not less than 45 years must be imposed on owner occupied units. Covenant and deed restrictions must be recorded with the redevelopment agency.
- If the newly constructed or rehabilitated affordable units are part of a larger project such as a mixed income or mixed use project, Housing Fund moneys may only be utilized for a pro rata share of the cost of the improvements benefiting the affordable housing. For mixed income residential developments, the maximum amount is based on the ratio of the number of affordable units to the

total number of housing units. For mixed use projects, the maximum is based on the ratio of total cost of the affordable units to the total cost of the project.

4. Housing Program Requirement

Agencies are required to prepare a Housing Program with estimates of the number of new, rehabilitated, or price restricted affordable housing units to be assisted during each of the five years. The Housing Program must also include estimates of expenditures of moneys from the Housing Fund during each of the five years. Finally, it must include a description of how it will implement the expenditure requirements over the ten year compliance period. Section F includes the Agency's Housing Program.

5. Requirement to Fulfill Housing Obligations

CRL Section 33333.8, as amended by SB 211, requires that an agency comply with and fulfill its affordable housing responsibilities, including housing fund, replacement housing, and affordable housing production responsibilities, prior to the expiration of the time limit on redevelopment plan effectiveness. Alternatively, a redevelopment plan may be extended until the Agency's housing obligations are met. A redevelopment project cannot be terminated if an agency has not complied with its affordable housing obligations. The law further requires that for a Redevelopment Project that is within six years of reaching its limit on plan effectiveness, an implementation plan needs to address the ability of the agency to comply with its housing responsibilities.

The affordable housing obligations to be fulfilled prior to the expiration of plan effectiveness are:

- Make deposits to and expenditures from the Low and Moderate Income Housing Fund.
- Eliminate project deficits.
- Expend or transfer excess surplus funds.
- Provide relocation assistance.
- Provide replacement housing.
- Provide inclusionary housing.

The Agency's plan for fulfilling its obligations within its time limits is addressed further in Section G.

C. Housing Production Plan

This section constitutes the Housing Production Plan of the Agency's FY 2004/05 through FY 2008/09 Implementation Plan. It includes estimates of housing production in the Project Area and the Agency's strategy for meeting its affordable housing production obligation. The Agency has met, and expects to continue to meet, its housing production obligations.

1. Housing Production

The Agency projects that approximately 165 housing units will be produced in the Project Area during the life of the Redevelopment Plan. For purposes of the Housing Production Plan, the number of units produced includes newly constructed units, as well as units substantially rehabilitated with Agency assistance. Table III-5 shows historical and projected housing production.

a. Historical Production (through FY 2003/04)

The Agency reports that 120 units have been produced in the Project Area through FY 2003/04.

b. Projected Housing Production

The Agency has evaluated the potential for future housing production in the Project Area through the end of the Redevelopment Plan. Based on the Agency's analysis of the potential for new development on existing vacant residential parcels, the opportunity for substantial rehabilitation with Agency assistance, the possibility for federal and state funding, and the anticipated date of development, the Agency has projected the number of units likely to be produced in the Project Area over the next ten years and through the life of the Redevelopment Plan.

Ten Year Production (FY 2004/05 through FY 2013/14)

During the next five years, the Agency estimates 25 housing units would be produced in the Project Area. During the following five-year period from FY 2009/10 through FY 2013/14, the Agency estimates 10 housing units will be produced in the Project Area. Thus, a total of 35 units are estimated to be produced in the next ten year compliance period.

Production over Life of Redevelopment Plan (through 2031/32)

Based on historical production and an analysis of remaining developable residential land, the potential for substantial rehabilitation with Agency assistance, and other opportunities, the Agency projects that a total of 165 units could potentially be produced within the Project Area prior to the end of the Redevelopment Plan in 2031.

Table III-5 summarizes the units projected to be produced through the end of the Redevelopment Plan.

2. Affordable Housing Production Obligation

a. Historical Obligation (Through FY 2003/04)

Through FY 2003/04, 120 housing units were produced in the Project Area, creating housing production obligations for 18 affordable units (15 percent), of which 8 units (40 percent of the affordable units) had to be affordable to very low income households.

Table III-5
Summary of Historical and Projected Housing Production in Project Area
Los Gatos Redevelopment Agency

Year	Total Units Produced		
	New	Substantially Rehabilitated ^a	Total
Historical through FY 2003/04	120	0	120
FY 2004/05-2008/09	25	0	25
FY 2009/10-2013/14	10	0	10
FY 2014/15-End	10	0	10
Total Ten Year Compliance Period (FY 2004/05-2013/14)	35	0	35
Total over Life of Plan	165	0	165

^aPrior to 1994, the rehabilitation —substantial or not— of any residential unit, triggered the housing production requirement. (Refer to footnote 2 on page III-3.)

Source: Los Gatos Redevelopment Agency, Los Gatos 2000-2004 Implementation Plan.

b. Obligation for Ten Year Compliance Period (FY 2004/05 through 2013/14)

Based upon the forecast of 35 housing units to be produced in the Project Area between FY 2004/05 and FY 2013/14, the Agency will have an obligation to ensure 5 units (15 percent) are affordable to very low, low and moderate income households. Of these, 2 units (40 percent) must be available at affordable housing cost to very low income households.

c. Obligation for the Life of Redevelopment Plan

A total of 165 housing units are projected to be produced in the Project Area over the life of the Redevelopment Plan. Based upon these projections, the Agency will have an obligation to ensure 25 units (15 percent) are affordable to very low, low and moderate income households. Of these, 11 units (40 percent) must be available at affordable housing cost to very low income households.

3. Agency's Plan to Meet the Affordable Housing Production Obligation

The Agency has supported, and plans to continue to support, the development of affordable housing both inside and outside its Project Area. The Agency has met, and plans to continue to meet, its obligation through Agency assistance for affordable housing development and substantial rehabilitation. Anticipated future projects will continue the Agency's compliance over the next ten years and through the remaining life of the Redevelopment Plan. The Agency will continue to provide assistance to units outside of the Project Area as well as units within the Project Area.

The Agency itself has not directly developed any housing in the past, nor does it have plans to do so in the future. The Agency has found it more cost effective and administratively efficient to provide financial assistance, as necessary, to private developers (both for-profit and nonprofit) and homeowners to construct and rehabilitate affordable housing, than to act as a housing developer. Since it is not directly developing housing, the Agency does not have an affordable housing production requirement with respect to Agency-developed housing. Thus, the relevant affordable housing production requirement is that 15 percent of units must be affordable to very low, low and moderate income households, and of those units, at least 40 percent must be affordable to low income households (6 percent of the total).

a. Historical Affordable Housing Production (Through FY 2003/04)

The Agency has met its affordable housing production requirements through FY 2003/04. To date, 55 affordable units have been produced, of which 27 are affordable to very low income households.¹⁰ The Agency exceeded the requirements for the production of units affordable to very low income households and units available to very low, low and moderate income households. Thus, the Agency will exceed its affordable housing production obligation for the first ten year compliance period, FY 1994/95 through FY 2003/04.

**b. Affordable Housing Production Ten Year Compliance Period
(FY 2004/05 – FY 2013/14)**

During the next five years (FY 2004/05 through FY 2008/09), the Agency estimates that 20 housing units affordable to very low, low and moderate income households will be produced. Of these, 17 units will be affordable to very low income households. During the following five years (FY 2009/10 through FY 2013/14), the Agency estimates 5 housing units affordable to very low, low and moderate income households will be produced. Of these, 3 units will be affordable to very low income households. For the next ten year compliance period from FY 2004/05 through FY 2013/14, 25 units of affordable housing will be produced, of which 20 will be affordable to very low income households. Thus, the ten year

¹⁰ Units produced outside Project Areas have been included on a one for two basis.

housing obligation of 5 units affordable to very low, low and moderate income households, of which 2 units must be affordable to households of very low income, will be exceeded.¹¹

c. Affordable Housing Production for the Life of Plans

The Agency anticipates that from FY 2004/05 through the end of the Redevelopment Plan, 30 housing units affordable to very low, low and moderate income households will be produced and, of these, 23 will be affordable to very low income households.¹² Thus, given that the Agency has exceeded its obligations through FY 2003/04 and expects to exceed future obligations, it anticipates that it will exceed its affordable housing production obligations over the life of the Redevelopment Plan.

Table III-6 shows housing production, the affordable housing obligation, and the Agency's progress toward meeting the obligation.

D. Replacement Housing

The Agency did not have any replacement obligation during the last five-year Implementation Plan period and has no plans to destroy or remove any residential units. As the Agency does not expect the displacement of any households in the next ten years, it does not expect to incur an obligation to replace any units. In the event that the removal of housing were to become a necessity in the future, the Town and Agency would follow all state requirements for replacement housing and relocation, and make every effort to relocate persons as close as possible to their current place of residence.

E. Housing Fund

The primary funding source for the Agency's affordable housing activities during the five-year Implementation Plan period will be the 20 percent portion of annual tax increment revenue deposited by the Agency into its Housing Fund. A secondary funding source may be interest income, and CDBG, HOME and other funds. The history, status and estimated future level of deposits into the Housing Fund are described below, and shown on Table III-7.

1. History and Status

The Agency first deposited moneys into its Housing Fund in the first year it received tax increment, in FY 1992/93. In succeeding years, the Agency has made Housing Set-Aside deposits to the Housing Fund in an amount not less than 20 percent of the cumulative tax increment revenue allocated to the Agency during that period. The Agency begins the five-year Implementation Plan period with an accumulated Housing Fund balance of approximately \$3.5 million that is available for Housing projects and activities.

2. Deposits During the Implementation Plan Period

The Agency plans to continue to deposit funds from its Project Area into the Housing Fund. Based on the Agency's projections, the Agency estimates that the total five-year deposit of tax increment revenue into the Housing Fund will be approximately \$4.9 million between FY 2004/05 and FY 2008/09. The Agency estimates receiving additional income from interest income of approximately \$400,000. After deducting debt obligations and housing administration costs, and including the beginning Housing Fund balance, the Agency will have approximately \$7.4 million available for its Housing Program over the next five years.

¹¹ Units produced outside Project Areas have been included on a one for two basis.

¹² Units produced outside Project Areas have been included on a one for two basis.

Table III-6
Historical and Projected Housing Production and Affordable Requirement
Los Gatos Redevelopment Agency

Year	Total New Units ^a	Affordable Requirement ^b			Affordable Production ^c			Surplus (Deficit) ^d		
		Very Low	Low and Moderate	Total Affordable	Very Low	Low and Moderate	Total Affordable	Very Low	Low and Moderate	Total Affordable
Historical										
FY 1991/92 - FY 2003/04	120	8	10	18	27	28	55	19	18	37
Subtotal (%)	100%	7%	8%	15%	23%	23%	46%			
Projected Totals										
FY 2004/05 - FY 2013/14 ^e	35	2	3	5	20	5	25	18	2	20
FY 2014/15 - End of Plan	10	1	1	2	3	2	5	2	1	3
Subtotal	45	3	4	7	23	7	30	20	3	23
Subtotal (%)	100%	7%	9%	16%	51%	16%	67%			
Total^f	165	11	14	25	50	35	85	39	21	60
Total (Percentage)	100%	7%	9%	15%	30%	21%	52%			

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

a. Total units produced in the Project Area during the specified time period.

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

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

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

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

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

Source: Los Gatos FY 1999/00 - 2003/04 Implementation Plan, Los Gatos Redevelopment Agency, Seifel Consulting.

Table III-7
Agency Revenue Available for Affordable Housing Activities, FY 2004/05 - FY 2008/09
Los Gatos Redevelopment Agency

1	2	3	4	5	6	7
Fiscal Year	Housing Set-Aside	Less: Agency Admin Costs ^a	Net Housing Set-Aside	Other Housing Income ^b	Net Debt Issuance Proceeds	Total Funds Available for Affordable Housing ^c
Fund Balance through FY 2003/04						\$3,483,000
FY 2004/05	\$894,000	\$262,000	\$632,000	\$61,000	\$0	\$693,000
FY 2005/06	\$934,000	\$270,000	\$664,000	\$60,000	\$0	\$724,000
FY 2006/07	\$975,000	\$278,000	\$697,000	\$77,000	\$0	\$774,000
FY 2007/08	\$1,017,000	\$286,000	\$731,000	\$101,000	\$0	\$832,000
FY 2008/09	\$1,060,000	\$294,000	\$766,000	\$104,000	\$0	\$870,000
Total	\$4,880,000	\$1,390,000	\$3,490,000	\$403,000	\$0	\$7,376,000

a. Agency admin costs are based on FY 2004/05 budget and will be reevaluated at the beginning of each budget cycle.

b. Includes interest income.

c. Figures equal the sum of net housing set aside, other agency income and net bond proceeds.

Source: Town of Los Gatos Redevelopment Agency, Urban Analytics, Seifel Consulting.

As in the past, the Agency will seek to combine its Housing Fund revenue with other funding sources devoted to the provision of affordable housing to maximize the number of affordable units that can be developed or rehabilitated with the limited amount of available Housing Funds. These other funding sources include Community Development Block Grants ("CDBG") and HOME Investment Partnership funds from the U.S. Department of Housing and Urban Development ("HUD"), California Housing Finance Agency ("CHFA") and Department of Housing and Community Development ("HCD") program funds at the state level, and low income housing tax credit equity funds.

F. Housing Program

During the five-year Implementation Plan period, the Agency will concentrate on housing activities that are most applicable to the Agency's goals and objectives. In developing its affordable Housing Program, the Agency has been guided by the goals and objectives of the Town's Housing Element of the General Plan. Through its affordable housing activities, the Agency will support and advance the overall Housing Element programs as well as contribute to the implementation of the policies and strategies identified in the Town's General Plan.¹³ The Agency is committed to assisting the Town in achieving the goals and objectives and policies presented in the Housing Element including:

- To improve the choice of housing opportunities for senior citizens, families and singles and for all income groups through a variety of housing types and sizes, including a mixture of ownership and rental housing.
- To preserve existing moderately priced and historically significant housing.
- To eliminate racial discrimination, lack of disabled accessibility and all other forms of discrimination that prevent free choice in housing.
- To make infrastructure projects and residential and nonresidential developments be compatible with environmental quality and energy conservation.
- To reduce the homeless population.
- To provide housing affordable to people who work in the Town.

1. Housing Program Components

The Agency recognizes the important role of the Housing Program and its activities in its overall Redevelopment Program. Consequently, the proposed Housing Program should be viewed not simply as the means of implementing the Agency's stated goals and objectives related to affordable housing, but as a key element in its overall blight alleviation revitalization efforts. The Agency's Housing Program has two primary affordable housing components.

a. Initiate Affordable Housing Projects within the Project Area.

The Agency will initiate affordable housing projects in the Project Area during this five-year Implementation Plan period. The Agency will work with local non profit developers to produce affordable housing units to help address the needs of the community. The Agency is considering assisting the production of approximately 15 units affordable to very low income households from FY 2004/05 through FY 2008/09.

b. Provide Zero Interest Loans for Secondary Dwelling Units in the Project Area.

The Agency is planning to utilize a loan program during this five-year Implementation Plan period. The Agency will provide zero interest loans for the production of secondary dwelling units in the Project Area. Secondary dwelling units, often called "in-law" units, typically refer to small one-bedroom or

¹³ The parts of the Implementation Plan that address the affordable housing requirements must be adopted every five years either in conjunction with the community's housing element cycle or the implementation plan cycle. (Section 33490(a)(1)(A))

studio units located in existing single-family homes or as detached units. Approximately one affordable unit per year will be assisted from FY 2004/05 through FY 2008/09, for a total of five units.

2. Proposed Housing Activities and Expenditures

The Agency's Housing Fund revenues will be used in a flexible manner to respond to favorable development opportunities. The Town Council and Agency have approved resolutions determining that the use of its Housing Fund moneys to assist housing activities located outside the Project Area is of benefit to the Project Area. Accordingly, Housing Fund moneys may be spent both inside and outside the Project Area. The type of financial assistance to be provided may include cost write-down and gap financing for projects utilizing federal and state funds, as well as loans for property acquisition, development renovation, on- and off-site improvements, acquisition of easements, predevelopment costs and development fees. In carrying out its purpose to preserve, improve and increase the affordable housing supply, the Agency may use the following methods:

- Acquire land or building sites.
- Improve land or building sites with on-site or off-site improvements.
- Donate land to private or public persons or entities.
- Finance insurance premiums pursuant to CRL Section 33136.
- Construct buildings or structures.
- Provide subsidies to, or for the benefit of, persons or families of very low, low, or moderate income.
- Develop plans, pay principal and interest on bonds, loans, advances or other indebtedness, or pay financing or carrying charges.
- Require the integration of affordable housing sites with sites developed for market rate housing.
- Assist the development of housing by developers.
- Acquisition of easements.

The Agency plans to target its Housing Fund expenditures for specific income groups as required by the CRL. The Agency will make every effort to encourage the preservation and development of housing affordable to a variety of income levels combining various funding sources, and partnering and collaborating with other entities dedicated to the preservation and development of affordable housing, the Agency is confident it will be able to meet its affordable housing production obligations and expenditure requirements within the ten year compliance period, as well as over the life of the Redevelopment Plan.

It should be noted, however, that several factors may result in expenditures and unit production for given years being either less than or greater than what is projected. These factors include fluctuations in the timing of the development process, the levels of Housing Fund revenue and other public assistance, the need to amass sufficient funds for an efficiently-sized development, and development opportunities.

3. Housing Fund Assisted Affordable Housing Production

The Agency expects to take advantage of various opportunities as they are presented and to initiate actions as necessary, consistent with the CRL and the Town's Housing Element, to preserve and facilitate the development of housing affordable to households whose basic needs are not met by the private housing market.

Table III-8 presents the housing units to be assisted by the Housing Fund over the five-year Implementation Plan period. In summary, from FY 2004/05 through FY 2008/09, the Agency plans to assist in the production of 17 housing units affordable to very low income households, and 3 housing units affordable to low income households, totaling 20 Agency-assisted affordable units.

Table III-8
Affordable Housing to be Produced with Agency Assistance/Housing Fund Expenditures
FY 2004/05 to FY 2008/09
Los Gatos Redevelopment Agency

Affordable Housing Program ^b	Number of Units by Targeting ^a				Housing Fund Expenditures					
	Very Low	Low	Moderate	Age Restricted	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	Total
Initiate Affordable Housing Projects^c										
Future project(s) to be identified ^d	15	0	0	0	\$1,000,000	\$1,000,000	\$700,000	\$700,000	\$500,000	\$3,900,000
Zero Interest Loan Program for Secondary Units^e										
Future project(s) to be identified ^d	2	3	0	0	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Subtotal					\$1,050,000	\$1,050,000	\$750,000	\$750,000	\$550,000	\$4,150,000
Unanticipated Opportunities (at approx. 10% of subtotal)										\$420,000
Total	17	3	0	0	\$1,050,000	\$1,050,000	\$750,000	\$750,000	\$550,000	\$4,570,000

a. The total number of housing units produced with Housing Fund assistance, as shown in this table, differs from the number of housing units counted toward the affordable housing production requirement, as shown in Table III-6.

Table III-6 includes affordable housing produced with and without Housing Fund assistance. It also includes affordable housing produced outside of the Project Area on a one for two basis.

b. Housing Program costs do not include Agency administration costs.

c. Since all expenditures are designed to assist very low income household units, the expenditures for each individual year of the five-year period will be for assistance to very low income household units.

d. Projects are still in the planning stages. The number and income mix of units is estimated by the Agency. Actual number of units and income mix may differ.

e. While it is difficult to predict, efforts will be made to expend funds for the two very low income units during two of the first four years of the five-year period, and for the three low income units in the other three years of the five-year period.

Source: Los Gatos Redevelopment Agency, Seifel Consulting Inc.

Please note the number of affordable housing units in Table III-8 does not correspond to the number of affordable housing units in Table III-6 for several reasons. Table III-6, which addresses housing production and affordable housing obligations and production, presents affordable housing units produced with and without Agency assistance. In addition, affordable units produced outside the Project Area are counted on a one for two basis for purposes of calculating the affordable housing produced to meet the affordable housing production obligation presented in Table III-6. Table III-8, which addresses Housing Fund expenditure requirements, includes affordable housing units produced with Agency assistance. These numbers include units located both inside and outside the Project Area. All units are counted on a one for one basis; in other words, the number of units located outside the Project Area has not been adjusted.

4. Estimated Housing Fund Expenditures FY 2004/05 through 2008/09

The Agency estimates expenditures for housing activities of approximately \$4.6 million and Housing Fund resources of approximately \$7.4 million during the next five years, leaving a surplus of approximately \$2.8 million. Thus, projected tax increment revenues will be sufficient to cover the Agency's planned expenditures for housing projects and activities over the next five years. The Agency will continue to pursue additional affordable housing projects and activities with the remaining funds throughout the five-year Implementation Plan period. Table III-8 presents the Agency's estimated Housing Fund expenditures for the five years of the Implementation Plan period, in addition to the number of housing units to be assisted by the Housing Fund.

The Agency plans to target its Housing Fund for specific income groups and non-age restricted housing as required by the CRL. The Agency will make every effort to encourage the development of housing affordable to a variety of income levels and needs. By combining various funding sources, and in partnership and collaboration with others dedicated to the development of affordable housing, the Agency is confident it will be able to meet its housing expenditure requirements.

a. Housing Fund Income Targeting

The Agency plans to target its Housing Fund moneys to specific income groups based on its fair share of regional housing needs as determined by ABAG. From January 1, 2002 through the end of the ten year compliance period in 2014, the Agency plans to target Housing Fund moneys in the following proportions: at least 35 percent on units affordable to very low income households, at least 52 percent on units affordable to low and very low income households, and no more than 48 percent on units to moderate income households.

Since January 1, 2002, Housing Fund moneys in the amount of approximately \$558,000 have been spent to produce very low income housing as shown in Table III-9. Thus, the Agency exceeded its expenditure requirement threshold for the first two years of the current compliance period ending in 2014. The Agency will continue to monitor its Housing Fund expenditures in conformance with the relative percentages of need demonstrated by each income category, and anticipates that it will meet its very low, low and moderate income targeting requirements for the ten year compliance period ending in 2014.

Table III-9
Housing Fund Expenditures
Targeting by Income
Los Gatos Redevelopment Agency

Income Targeting	Expenditures 1/1/2002-6/30/2004	
Very Low	\$557,920	100%
Low	\$0	0%
Moderate	\$0	0%
Total	\$557,920	100%

Source: Los Gatos Redevelopment Agency

b. Housing Fund Assistance for Non-Age Restricted Housing

The Agency plans to target Housing Fund expenditures to provide affordable housing that is not restricted by age. Specifically, at least 84.7 percent of Housing Fund moneys is planned to be spent on non-age restricted housing over the period between January 1, 2002 and the ten year compliance period ending in 2014.

The Agency has expended a total of \$307,920 on non-age restricted housing since January 1, 2002, as shown in Table III-10. The Agency has expended \$250,000 on age restricted housing. Although the percentage of Housing Funds spent to date on non-age restricted housing is not adequate to satisfy the CRL requirement regarding a minimum expenditure of funds on non-age restricted housing, the Agency anticipates expending the majority of Housing Fund moneys on non-age restricted housing during the five-year Implementation Plan period. The Agency will monitor Housing Fund expenditures in order to comply with this requirement by the end of the compliance period in 2014.

Table III-10
Housing Fund Expenditures
Targeting Non Age Restricted Housing
Los Gatos Redevelopment Agency

Age Targeting	Expenditures 1/1/2002-6/30/2004	
Non-age restricted Housing	\$307,920	55%
Age restricted Housing	\$250,000	45%
Total	\$557,920	100%

Source: Los Gatos Redevelopment Agency

G. Fulfillment of Housing Obligations

The time limit for plan effectiveness for the Project Area is 2031. Therefore, the FY 2024/25 through FY 2028/29 Implementation Plan, which will be within six years of the time limit, will address the ability of the Agency to comply with all of its affordable housing obligations under the CRL by the expiration of the effectiveness of the Redevelopment Plan. This FY 2004/05 through FY2008/09 Implementation Plan is not required to address this issue.