

**SECOND FIVE-YEAR
IMPLEMENTATION PLAN
FOR THE
MCAS TUSTIN
REDEVELOPMENT PROJECT AREA
(FY 2008-2009 to FY 2012-2013)**



**Tustin Community Redevelopment Agency
July, 2008**

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Section I

Five-Year Implementation Plan Introduction

INTRODUCTION

This document has been prepared by the Tustin Community Redevelopment Agency (“Agency”) pursuant to Article Section 33490 of California Community Redevelopment Law (“CRL” or “State Law”) (Figure I-1). It is the Second Five-Year Implementation Plan (“Plan”) for the Redevelopment Plan (“Redevelopment Plan”) for the MCAS Tustin Redevelopment Project (“Project” or “Project Area”) in the City of Tustin (the “City”).

Redevelopment Agencies are required to adopt an Implementation Plan every five years. The initial Implementation Plan for MCAS Tustin was incorporated into Section VI of the Report to City Council during the adoption process for the MCAS Tustin Redevelopment Plan. The Agency approved a Report to the City Council for the MCAS-Tustin Redevelopment Project (“Report”) and authorized its transmittal to the Tustin City Council on April 21, 2003. This Report includes an Implementation Plan for the MCAS Tustin Project Area pursuant to Section 33352(c) of CRL. The City and Agency subsequently considered the Report to the City Council and the Redevelopment Plan and introduced Ordinance No. 1276 to approve and adopt the Redevelopment Plan for the MCAS-Tustin Redevelopment Project on June 2, 2003. Ordinance 1276 was subsequently adopted on June 16, 2003. A mid-term review and public hearing on the initial Implementation Plan occurred on June 19, 2006, as required by CRL.

FIGURE I-1
SUMMARY OF LEGAL REQUIREMENTS
California Community Redevelopment Law, Article 16.5, Section 33490

Section 33490(a) of the California Community Redevelopment Law requires each redevelopment agency to adopt an implementation plan every five years that includes:

- The Agency’s specific goals and objectives for its redevelopment project areas.
- Specific programs, including potential projects, and estimated expenditures for the next five years.
- An explanation of how these goals, objectives, projects, and expenditures will eliminate blight in the Project Areas.
- An explanation of how these specific goals, objectives, projects and expenditures will implement the low and moderate-income housing requirements mandated by law, including the following:
 1. An annual Housing Program for the five-year term that provides sufficient detail to measure performance of the Low and Moderate Income Housing Fund requirements.
 2. An estimate of the number of housing units to be rehabilitated, assisted, price restricted, or destroyed during the term of the redevelopment plan for the MCAS Tustin redevelopment project.
 3. An outline of the Agency’s plan in using the Low and Moderate Income Housing Fund including annual deposits, transfer of funds, or accruals for special projects.
 4. An identification of programs and projects that will result in the destruction of existing affordable housing (if any) and the proposed locations for replacement housing.
 5. The Agency’s Ten-Year Housing Affordability Compliance Plan as required by California Community Redevelopment Law, Sections 33413(b)(4) and 33490 (a)(2).

The purpose of the Second Five-Year Implementation Plan for the MCAS Tustin Redevelopment Project, for non-housing activities, is as follows:

- Revisit the goals and objectives of the Redevelopment Plan.
- Define the Agency's strategy for achieving the goals and objectives of the Redevelopment Plan.
- Identify anticipated programs, projects and estimated expenditures for the next five-year period (Fiscal Years 2008/2009 through 2012/2013).
- Describe how these programs, projects, and expenditures will eliminate blight in the Project Area.

The Second Five-Year Implementation Plan should address the Agency's housing activities as follows:

- Demonstrate how the statutory requirements for the set-aside and expenditure of tax increment for housing purposes will be met including programs, projects and expenditures directed towards increasing, improving, and preserving the community's supply of low and moderate-income housing.
- Identify how residential development will be implemented in the Project Area per the Agency's established goals and in compliance with the CRL.

The elimination of blight as summarized, which follows in Figure I-2 below, is a fundamental purpose for redevelopment under CRL and is discussed more fully in Section II of this Plan. The provision of affordable housing is another fundamental purpose under the CRL, and is addressed in Section III of this Plan. While identification of specific programs, including projects, and estimates of expenditures proposed to be made is required under CRL, the Implementation Plan should be viewed as a policy and program document. The intent is not to restrict the Agency's activities since the conditions, expectations, resources, and needs of the Project may change from time to time. Rather, this Plan outlines the current expectations of the Agency for the next five years. This Plan will be subject to a mid-term review by the Agency Board of Directors.

Blight

A primary requirement of a Redevelopment Project and an Implementation Plan is to address the elimination of and the prevention of the spread of blight. Figure I-2 provides a definition of physical and economic blight conditions under the CRL existing at the time of adoption of the Redevelopment Plan. The CRL has been amended since the adoption of the Plan, but the operative definitions of blight, for purposes of the Plan, are as set forth in Figure 1-2. Some of the conditions continue to exist in the MCAS Tustin Project Area and are addressed in Section II of this Implementation Plan.

Figure I-2

PHYSICAL AND ECONOMIC BLIGHT DEFINED

California Community Redevelopment Law, Article 3, Sections 33030 and 33031

Sections 33030 and 33031 of the California Community Redevelopment Law define blight to include:

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

Physical Conditions that Limit the Economic Viability and Use of Lots and Buildings. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. These conditions can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.

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

Lots of Irregular Shape, Inadequate Size, and Under Multiple Ownership. The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

Inadequate Public Infrastructure/Facilities. The existence of inadequate public improvements, parking facilities, open space, or utilities.

Depreciated/Stagnant Property Values; Impaired Investments. Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous waste that required the use of agency authority as specified in Article 12.5 (commencing with Section 33459).

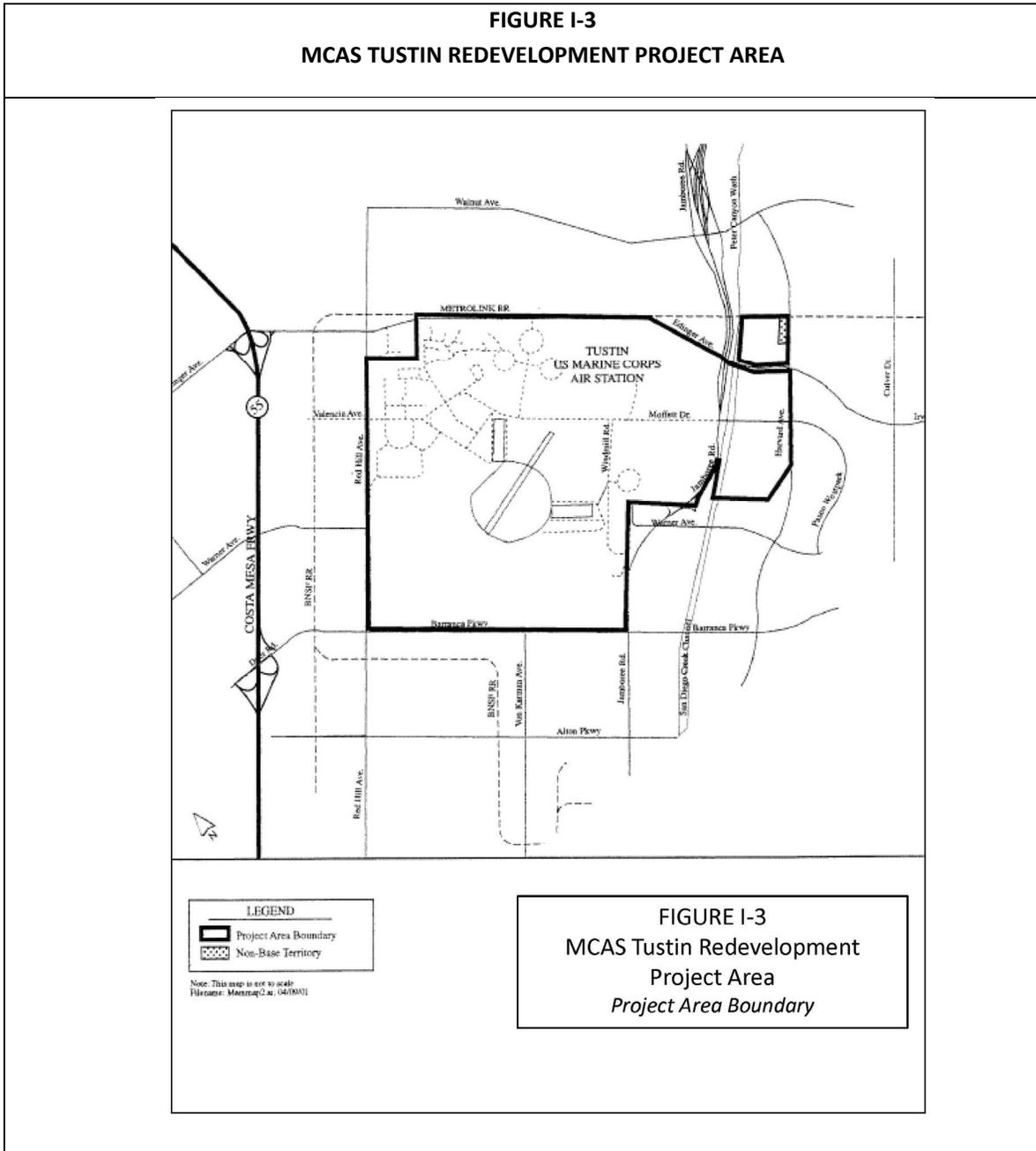
High Business Turnovers and Vacancies/Low Lease Rates/Abandoned Buildings/Vacant Lots. Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.

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

Residential Overcrowding/Excess Bars, Liquor Stores, Adult Businesses. Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.

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

The boundaries for the MCAS Tustin Redevelopment Project Area are shown in Figures I-3.



Section II

Five-Year Implementation Plan for Non-Housing Redevelopment Activities

II.1 BACKGROUND

MCAS REDEVELOPMENT PLAN

The MCAS Tustin Redevelopment Project Area is comprised of a total of 1,508.6 acres of property within the City of Tustin including approximately 1,504.5 acres at the former MCAS Tustin base and 4.1 acres outside the former MCAS Tustin base. The Project Area, referred to as Tustin Legacy, is located in a heavily urbanized location surrounded by residential, commercial and light industrial uses. At the time of adoption the Project Area represented one of the few vacant or significantly underutilized developable tracts of land in central Orange County.

Former land uses on site before adoption of the Project Area largely consisted of operations associated with the operation of the Marine Corps base including airfield operations, training, aircraft maintenance, supply and storage, medical and dental administration, family housing, bachelor housing, community support, recreation, and vacant land. Some of the base was leased for interim agriculture uses to private parties.

Land uses for the reuse of the former MCAS Tustin are those outlined in the MCAS Tustin Reuse Plan/Specific Plan adopted February 2, 2003 by Ordinance No. 1257 as subsequently amended. Land Uses include low density residential, medium density residential, medium high density residential, transitional/emergency housing, residential village, commercial business, commercial, village services, community core, educational village, urban regional park, community park, neighborhood parks, and schools.



Lifestyle Center - The District

The MCAS Tustin Redevelopment Plan identifies a number of goals and objectives as follows in Figure II-1:

Figure II-1

Redevelopment Goals and Objectives - MCAS Tustin Project Area

Major goals and objectives for the Project Area as described in the Redevelopment Plan and the initial Implementation Plan are as follows:

1. The elimination of blighting influences and the correction of environmental deficiencies in the Project Area, including, among others, (i) buildings in which it is unsafe or unhealthy for persons to live or work, buildings on land that, when subdivided or when infrastructure is installed, would not comply with community subdivision, zoning or planning regulations and buildings that, when built, did not conform to the then-effective building, plumbing, mechanical, or electrical codes adopted by the applicable jurisdiction; (ii) factors that prevent or substantially hinder the economically viable reuse or capacity of buildings or areas; (iii) adjacent or nearby incompatible and uneconomic land uses; (iv) properties currently served by infrastructure that do not meet the existing adopted utility or community infrastructure standards; (v) land containing materials or facilities that will have to be removed to allow for development such as runways and landing pads; and, (vi) properties containing hazardous wastes.
2. The assembly of land into parcels suitable for modern, integrated development with improved pedestrian and vehicular circulation in the Project Area.
3. The re-planning, redesign, reuse and redevelopment of portions of the Project Area which are stagnant or improperly utilized.
4. The provision of opportunities for participation by owners and tenants in the revitalization of their properties.
5. The strengthening of the economic base of the Project Area by stimulating new investment and economic growth.
6. The creation of employment opportunities.
7. The provision of an environment for social and economic growth.
8. The expansion, preservation, and improvement of the community's supply of housing available to low- and moderate-income persons and families.
9. The installation of new or replacement of existing public improvements, facilities, and utilities in areas which are currently inadequately served with regard to such improvements, facilities, and utilities.

As noted in Section I, the MCAS Tustin Redevelopment Plan was adopted on June 16, 2003 by Ordinance 1276. The Redevelopment Plan has been subsequently amended. Figure II-2 is a summary of the Project Area’s description, plan elements, plan limits, and debt capacity.

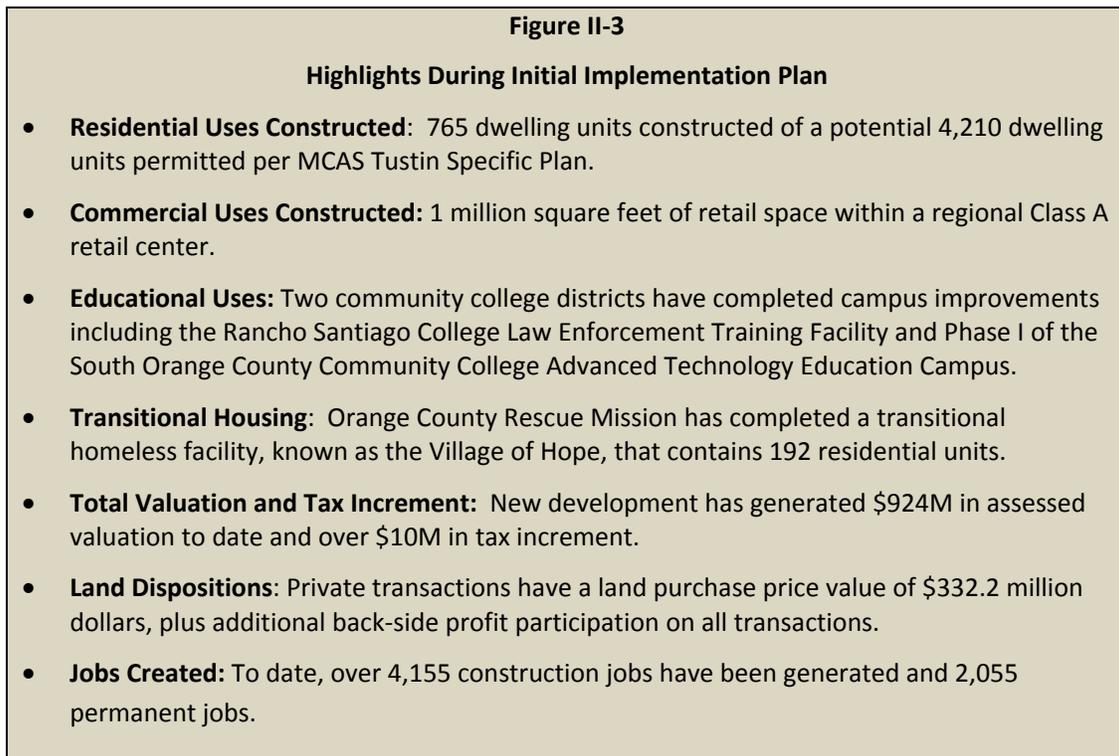
FIGURE II-2 MCAS TUSTIN REDEVELOPMENT PROJECT AREA DATA SUMMARY		
Project Area Size, Location and Characteristics	The MCAS Tustin Redevelopment Project Area is comprised of 1,508.6 acres including 1,504.5 acres that were part of the former MCAS Tustin base and 4.1 acres that are located outside the former base boundaries.	
Redevelopment Plan Elements	Date	Ordinance No.
Redevelopment Plan Adopted	June 16, 2003	Ord. No. 1276
Redevelopment Plan Amendment No. 1 (description of Agency programs)	April 3, 2007	Ord. No. 1334
Redevelopment Plan Limits		
• Last Date to Incur Project Area Indebtedness*	July 16, 2023 or from date of Auditor’s Certification	
• Redevelopment Plan Expiration Date**	July 16, 2033 or from date of Auditor’s Certification	
• Last Date to Receive Project Area Tax Increment***	July 16, 2048	
• Expiration Date for Eminent Domain Authority****	12 years from effective date of ordinance 1276 or July 16, 2048; modified to June 13, 2015	
• Total Amount of Permitted Bonded Debt	\$180,000,000 would be outstanding at any one time	
• Maximum Amount of Tax Increment	\$833,000,000 (100%)	
<p>* The Agency shall not establish or incur loans, advances, or indebtedness to finance in whole or in part the Project beyond 20 years from the date the County of Orange Auditor makes its certification pursuant to Section 33492.9 of the CRL. Loans, advances, or indebtedness may be repaid over a period of time beyond said time limit. This time limit shall not prevent the Agency from incurring debt to be paid from the Low and Moderate Income Housing Fund or establishing more debt in order to fulfill the Agency’s housing obligations under Section 33413 of the CRL.</p> <p>**County Auditors Certificate per Redevelopment Plan</p> <p>***Redevelopment Plan Expiration Date and Last Date to Receive Project Area Tax Increment may be extended for one year for each year ERAF Payment is made to State pursuant to Health & Safety Code Section 33333.6 (revised per SB1045).</p> <p>****Per Ordinance No. 1334</p>		

II.2 MAJOR ACCOMPLISHMENTS

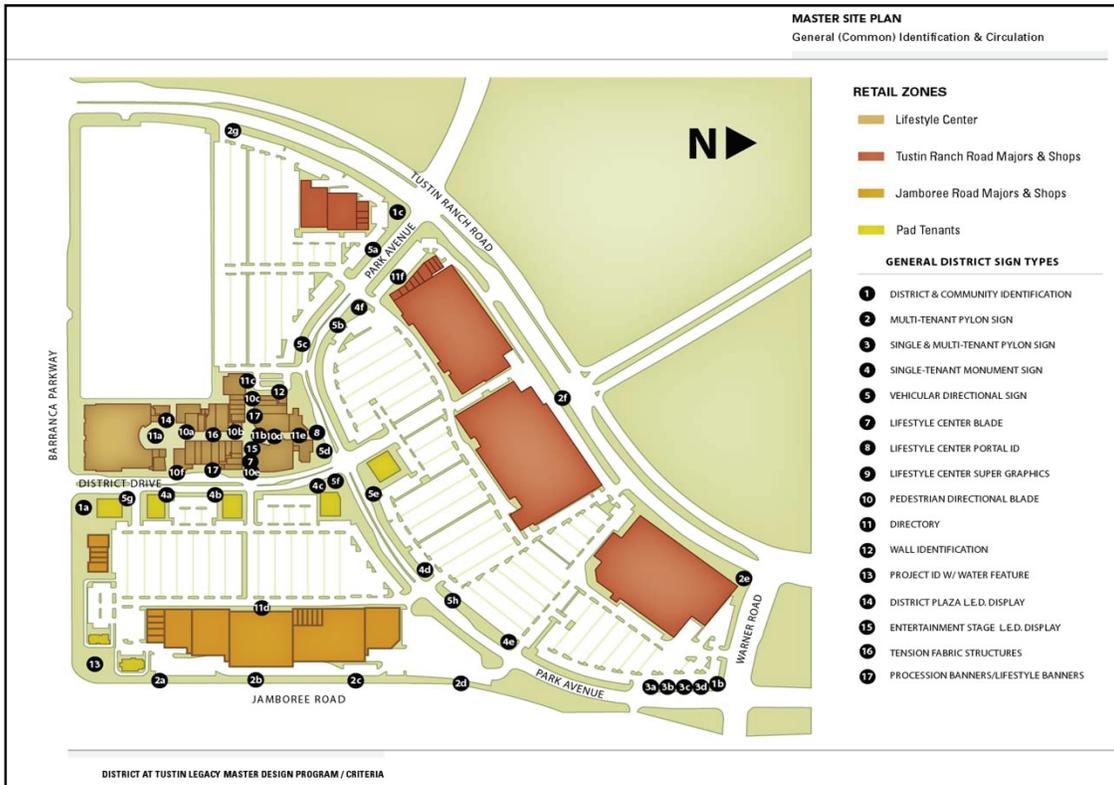
1. Acquisition and Disposition of Property in Project Area

The Agency has been responsible for administering the conveyance, development and leasing of all City-owned properties conveyed to the City by the Navy under the terms and conditions of an Economic Development Conveyance Agreement approved in 2002. Since 2002, all properties conveyed to the City by the Navy (“City owned properties”) intended for conveyance or leasing to private entities, public agencies, and non-profit institutions have been committed through conveyance agreements, disposition and development agreements or interim lease agreements intended for eventual conveyance, as appropriate.

The status of those dispositions is detailed as follows, including the highlights identified in Figure II-3:



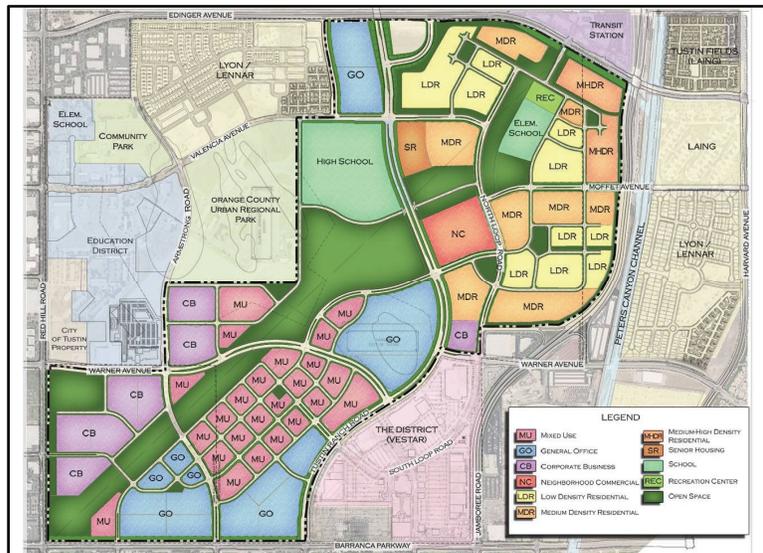
- **Regional Retail Site (The District at Tustin Legacy)** The City conveyed 87 acres to Vestar/Kimco Tustin, L.P., for development of The District at Tustin Legacy, a 1,006,000 square foot regional Class A retail center, located at the northwest corner of Jamboree Road and Barranca Parkway. The Specific Plan/Reuse Plan authorized up to 1,006,000 square feet of regional retail uses on this site. The developer opened the center in May 2007; most of the vertical improvements on the restaurant pads were completed during 2008.



The District - Master Plan

- Tustin Master Development (Legacy Park at Tustin Legacy)**

The City entered into a Disposition and Development Agreement (DDA) with Tustin Legacy Community Partners LLP (TLCP) in April 2006 for the development of approximately 820 acres. Of the total 820 acres the land uses are distributed as follows: 185 acres as residential, 234 acres as non-residential including office and retail, and 403 acres for open space and institutional uses such as schools. The DDA is performance based, conveying parcels by phase based on development progress. In June 2007, the first phase, consisting of approximately 320 acres, was conveyed to TLCP for development including the following uses: residential, office, retail, and open space, and public infrastructure.



- **Residential Vertical Builders**

Tustin Fields I and II (W.L. Homes, dba John Laing Homes): The City disposed of approximately 67 acres for the development of 565 residential units of which 118 or 21% were affordable units. Construction and occupancy of the units was completed in the years 2004 through 2006.



Villages of Columbus (Marble Mountain Partners, LLC and Moffett Meadows Partners, LLC): Approximately 229 acres were conveyed by the Navy through a public bid sale to Marble Mountain Partners, LLC and Moffett Meadows Partners, LLC. Of the approximately 229 acres, approximately 161 acres are in the Project Area. Of the 1,390 approved residential units within the Project Area within Villages of Columbus, approximately 800 have completed to date.



- **Public and Institutional including Non-Profit Conveyances.**

Approximately 67 acres on the west side of the Project Area, within the Education Village, have been designated in the Specific Plan/Reuse Plan and Redevelopment Plan for institutional uses and have been conveyed as follows:

- a. **South Orange County Community College District (SOCCCD):** 37.66 acres conveyed by quit claim deed and 30.71 acres by sublease. Both the conveyance and lease agreements are between the City and SOCCCD.
- b. **Rancho Santiago Community College District (RSCCD):** 15 acres conveyed by quit claim deed. The conveyance agreement was between the City and RSCCD.
- c. **Orange County Rescue Mission (OCRM):** 5.1 acres conveyed by quit claim deed. The property was conveyed pursuant to a settlement agreement between the City and OCRM.
- d. **Transitional Housing:** The City has secured the transfer of 18 newly constructed units to three homeless providers within the Project Area: 6 units to the Salvation Army, 6 units to Human Options, and 6 units to Orange Coast Interfaith Shelter. All conveyances were at no cost to the homeless provider. The City has also secured a 16 unit apartment complex for a homeless provider, the Salvation Army, off-site, at no cost. These transactions were conducted in partnership with WL Homes (dba John Laing Homes) and Lennar/William Lyon Homes.
- e. **County of Orange (Social Services Agency):** 4 acres were conveyed directly from the Federal Department of Human Health Services (HHS) to the County of Orange Social Services Agency in 2006.
- f. **Tustin Unified School District (TUSD):** 10-acre elementary school site, adjacent to Red Hill Avenue, was conveyed directly from the Federal Department of Education to the Tustin Unified School District in 2003. Additionally, the City in 2008, prepared Conveyance Agreements for the development of a future high school site (40-acre) and a future elementary school site (10-acre). Conveyance of these sites, by the City to TUSD, is anticipated to occur by the end of calendar year 2008.

The Agency did not acquire any land in the Redevelopment Project Area during the term of the initial Implementation Plan.

2. Demolition/Clearance and Site Preparation

A considerable amount of demolition has been completed and will continue to occur in the overall redevelopment of the former MCAS Tustin base. During the initial Implementation Plan significant demolition was conducted on the site of the former MCAS Tustin Marine base which included the removal of runways and tarmac, demolition of obsolete and substandard buildings and residential units, and demolition of existing roadways and utility systems. Much of the demolition, clearance and site preparation was accomplished as a condition of the Disposition and Development Agreements

between the developers associated with the designated sites to accommodate new developments.

Over 80% of all materials generated as a result of demolition from the former base are also recycled on-site and are used in the new construction of public and private streets.

3. Public Improvements and Facilities

During the initial term of the Implementation Plan, over \$130 million dollars of infrastructure and related capital improvement projects were completed. In addition, \$300 million of improvements are under design. Work has been completed on the following Tustin Legacy roadways with all related utility systems, including storm drains, dry utilities, and traffic control improvements.

Infrastructure Improvements Completed:

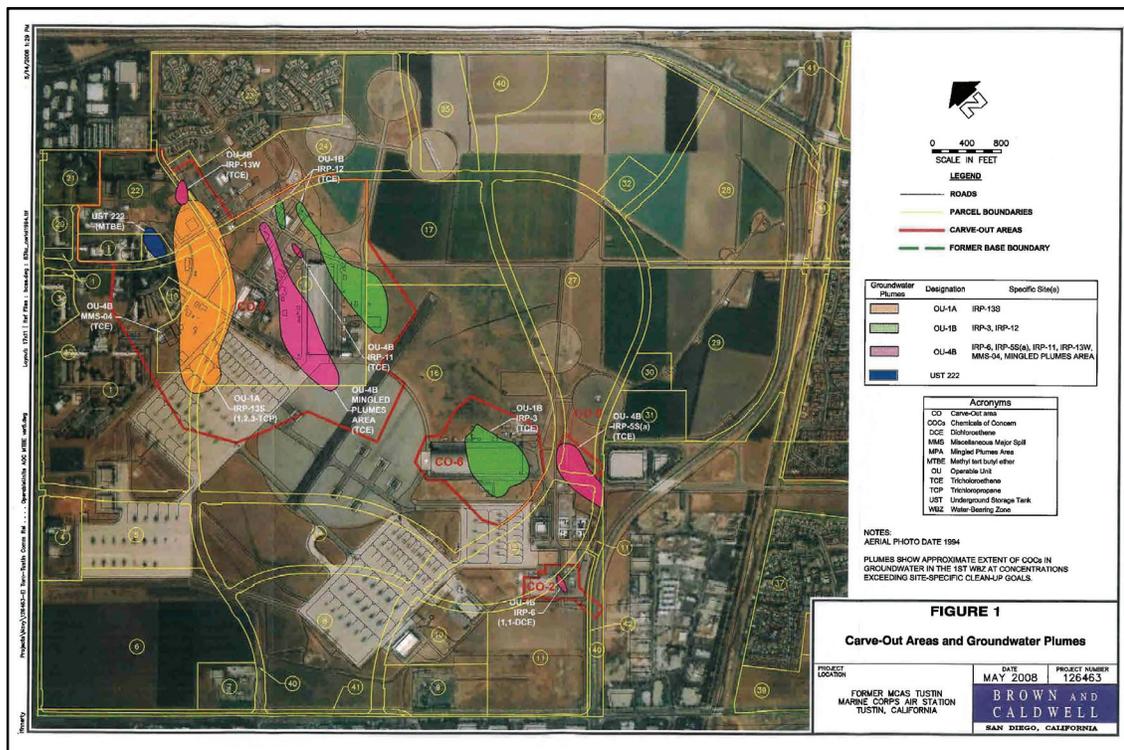
- Kensington Park Road (formerly known as the West Connector)
- Valencia Avenue – Red Hill Avenue to Kensington Park Road
- Lansdowne Avenue
- Edinger Avenue - From approximately 1400 East of Red Hill to Harvard Avenue
- Armstrong Avenue – Valencia Avenue to future Warner Avenue
- Severyns Road
- Park Avenue (formerly known as South Loop Road) – Warner to Tustin Ranch Road
- Tustin Ranch Road – Warner Avenue to Barranca Parkway
- Warner Avenue – Tustin Ranch Road to Jamboree Road
- Modification to Warner Ramp at Jamboree Road and the transition area of the west leg of the Eastern Transportation Corridor.

4. Environmental Remediation Activities

After the 1991 announcement that MCAS Tustin would close, the Navy pursuant their responsibilities as the occupant of the base, commenced remediation of military contaminants to support reuse of the property as approved in the MCAS Tustin Specific Plan. Hundreds of sites at the former Marine facility have been investigated, documented and remediated, as needed. Agency staff actively participates with Navy staff and state and federal regulatory agencies (United States Environmental Protection Agency, California Environmental Protection Agency/Department of Toxic Substances Control and Regional Water Quality Control Board) in reviewing and commenting on Navy remediation documents, and providing recommendations to assist the Navy in selecting remedies that support rapid economic development and reuse at the site.

Since adoption of the initial Implementation Plan, the Navy has continued to make significant progress on several major initiatives to resolve MCAS Tustin's remaining Installation Restoration Programs. During this period, significant progress was made in investigating and remediating the Operable Units (OUs), IRP sites, and Resource

Conservation and Recovery Act areas of concern (AOCs). The remaining AOCs are shown below:



Highlights include:

- **OU-1A** – Progress was made to remediate primarily TCP 1, 2, 3 and MTBE groundwater contamination plumes at OU-1A and Underground Storage Tank (UST) Site 222 utilizing two groundwater pumps and treat systems including the removal of hot spots in soil that previously served as the source of the site’s groundwater contamination. Construction of the final treatment system was completed in November 2007 and has been operational since December 2007.
- **OU-1B** – Progress was made to remediate primarily TCE groundwater contamination plumes at OU-1B. Construction of the final treatment systems were completed in November 2007 (North treatment system in Carve-Out 5) and December 2007 (South treatment system in Carve-Out 6) and have been operational since December 2007 and January 2008, respectively.
- **OU-4B** – On August 23, 2005, the Navy issued a Draft Feasibility Study (FS) that identified a number of optional methods to remediate primarily TCE groundwater contamination at OU-4B. A revised Draft FS was released in March 2008.

- The Agency has actively participated with the Restoration Advisory Board (RAB) and Base Cleanup Team to support continued monitoring of Navy remediation activities and the land use restriction covenants placed within portions of the Project Area.
- Supported economic development and reuse within the site through the abatement of hazardous materials (primarily asbestos and lead-based paint) that impede demolition and replacement of buildings and facilities in the Project Area.

5. Administrative Program Support and Indirect Costs

While the Agency continues to provide oversight and management for all redevelopment activities in the Project Area, a portion of the estimated administrative support and indirect costs associated with the project oversight during the implementation period has been largely covered by funding sources in addition to a small amount of tax increment revenue. Land sale proceeds deposited into the MCAS Tustin Legacy Enterprise Fund, as provided for under the Economic Development Conveyance agreement between the Navy and the City of Tustin, account for a substantial portion of the funding during the early years of the project. In addition, the City is recovering some administrative costs from developers.

6. Adopted Project Area Benefit Resolutions

The following resolutions were adopted during the period of the initial Implementation Plan that demonstrated benefit and enhancement to the Project Area.

- City Council Resolution No. 03-78 making the finding that the expenditure of Low and Moderate Housing Set-Aside Funds is of benefit to the MCAS Tustin Project Area and authorizing the expenditure of such funds Citywide.
- RDA Resolution No. 03-10 (Low and Moderate Income Funds outside the Project Area): This resolution found benefit to the Project through the use of low and moderate income funds outside the Project Area in eliminating blighting conditions.
- RDA Resolution Nos. 07-01, 07-02, 07-03 (Newport Avenue and Edinger Improvements): These resolutions found benefit to the Project in eliminating blighting conditions through the acquisition of property and right-of-way necessary to construct the Phase I Newport Avenue Extension/Northbound SR-55 ramp reconfiguration/Edinger Avenue Widening Project Improvements. The acquisition and improvements were identified in the Joint Final Environmental Impact Statement/Environmental Impact Report for the disposal and reuse of the Tustin Marine Corps Air Station as necessary to provide primary arterial access to the MCAS Tustin Redevelopment Project Area.

II.3 NON-HOUSING PROGRAM FINANCIAL RESOURCES

The Agency's implementation activities are based on the availability of funding from existing fund balances, bond proceeds and estimated future tax increment revenues not previously committed to existing financial obligations. While it was indicated that Implementation Plan goals and objectives, programs, specific projects and expenditures could assist in eliminating blight within the Project Areas, private sector investment will additionally contribute to the removal of blight.

In the initial Implementation Plan, the Report to the City Council for the Redevelopment Plan identified that substantial infrastructure and administrative support costs would be required. The Report identified that tax increment revenues generated from the Project Area would not be sufficient during the initial years to cover the anticipated costs. The Report also identified that while the feasibility analysis for the Project Area assumed the use of tax increment revenues to finance the anticipated redevelopment programs over the 30-year life of the Project, other potential revenue sources legally available to the Agency may be used. These additional resources included tax allocation bond proceeds, loan proceeds, land sale proceeds, Mello Roos or other special assessment district financing, and developer infrastructure fee payments.

Revenues

To date, a combination of tax increment revenues, loan proceeds, federal grants, land sale proceeds, Community Facility District (CFD) financing, developer advances, and Tustin Legacy backbone infrastructure fee payments from developers have been used to fund implementation activities in the Project Area. This combination of resources may be expanded in future years depending on the needs and timing of the Project Area's activities.

Net tax increment revenues available to fund non-housing programs, projects and expenditures of the Agency were identified as estimates in Exhibit 15 of the initial Five-Year Implementation Plan. Net tax increment revenues are projections after the Agency's 20% deposit to the low and moderate income housing set-aside fund, County administrative fees, and statutory pass-through to other taxing agencies (approximately 20% with additional pass-thru required to educational institutions in year 11 of the Project Area). They include tax increment, revenue from bond proceeds, land sales, prior loan repayments, interest earnings, and new loans to the Agency.

It is estimated that as of June 30, 2008, there will be a starting capital fund balance of approximately \$33,800,000. As shown in Figure II-4, approximately \$83,200,000 in net non-housing tax increment will be generated over the next five years to fund non-housing projects and programs and expenditures over the Implementation Plan's time frame. The funding for affordable housing activities is discussed in the housing section of this Implementation Plan.

II.4 EXISTING DEBT OBLIGATIONS (NON-HOUSING AND HOUSING)

The existing financial obligations for the MCAS Tustin Project Area as shown in Table II-4 are as follows:

- **Debt – Tax Allocation Notes (\$25M)**

On April 1, 2007, the Agency entered into two related Note Purchase Agreements in the amount of \$19,900,000 Series B (Tax-exempt) and \$5,100,000 Series A (Taxable) with Citigroup Global Markets, Inc. for the acquisition of a 37 acre parcel in the vicinity of the SR55 ramp area/Edinger Avenue within the South Central Project Area. The land was found to have benefit to the MCAS Tustin Project Area (RDA Resolution Nos. 07-01, 07-02, 07-03), as necessary for the acquisition and implementation of the Phase I Newport Avenue Extension Project. Principal is payable in annual payments due in November of each year, for five years with the term of the notes ending in November 2012. Interest payments are payable monthly during the Initial Note Period with a fixed interest rate of 4.3% through November 2008. After the Initial Note Period, variable rate interest payments are payable monthly, not to exceed 12% annually. The Notes are secured by tax increment revenue generated within the MCAS Tustin Project Area. In addition, proceeds from sale of land are pledged to the repayment of the notes.

- **Set-Aside of Low and Moderate Income Housing Purposes**

Section 33334.2(a) of the CRL requires that that not less than twenty percent (20%) of annual gross tax increment revenue be set-aside to facilitate the development of housing for persons with low and moderate incomes. The Agency may choose to expend more than the mandatory 20% on an annual basis, as determined necessary, to meet existing affordable housing obligations. Particulars regarding the estimated amount and planned usage of the set-aside funds are described in the Housing Section of this Implementation Plan.

- **Affordable Housing Reimbursement Agreement**

On June 5, 2007 the City of Tustin and the Tustin Community Redevelopment Agency entered into a reimbursement agreement for related housing responsibilities to be assessed the Agency (the "Reimbursement Agreement"). The agreement will reimburse the City for advancing funds to assist the Agency in carrying out its affordable housing obligations (Housing Affordability Subsidy) under MCAS Tustin Redevelopment Plan (see further discussion under the Reimbursement Agreement). The total reimbursement obligation, under the reimbursement agreement, by the Agency to the City general fund is \$46,407,736 in subsidizing 118 units in Tustin Field I and II; the reimbursement is proposed to be paid to the City over a 25 year period at annual interest rate of 5.00% under the current debt service schedule which can be

modified on an annual basis by the City's Finance Director and City Manager in conjunction with the annual budget process. The Agency's annual obligation is estimated at approximately \$3.2M which can be accelerated and will likely include an additional \$3.2M annually from the 80% non-housing monies. It is estimated that the Agency's Housing Affordability Subsidy may grow up to an additional \$62,296,000 during the term of the Second Implementation Plan requiring modification or a new reimbursement agreement.

- **Overhead Reimbursement for City's Cost**

Funds advanced by the City for operating expenses, support services and capital improvements will be reimbursed to the City on an annual basis in conjunction with the budget adoption process.

II.5 AGENCY FIVE YEAR NON-HOUSING IMPLEMENTATION ACTIVITIES

II.5.1 INTRODUCTION

Non-housing implementation activities for the Project Area will be associated with the following major areas:

1. Acquisition, Disposition, and Development Coordination Program
2. Public Improvements & Facilities
3. Demolition/Site Clearance
4. Economic Development
5. Environmental Remediation
6. Administrative Program Support and Indirect Costs

These programs often coincide and are overlaid to produce a successful project. Infrastructure and community facility improvements may work in concert with a private development project to ensure that the desired objective is achieved. Projects may vary dramatically during the next five years in reaction to market conditions and private development interest, but the main areas shown above will remain the focus of the Agency.

The Agency's five-year implementation activities are based on the availability of funding from existing fund balances, developer advances, bond proceeds, and future tax increment revenues not previously committed to existing financial obligations. In addition, financial resources from other City, State and Federal programs, including but not limited to, Community Development Block Grant (CDBG) and capital improvement project funds may be used, if available, to assist in implementing the Agency's projects and programs.

The proposed projects, programs and the corresponding expenditures over the five-year implementation period are designed to achieve the Goals and Objectives of the Implementation Plan and assist in the elimination of blighting conditions.

The funding of the programs identified in this Plan is greatly influenced by economic conditions and the ability of the private sector to respond to Agency initiatives. Projects and expenditures rely on the private sector's ability to obtain funding, as well as the Agency's ability to maintain and increase tax increment revenues. If the Agency's revenues are depleted because of higher than projected expenditures or new requirements imposed by the State, it is unlikely that all of the projects and/or programs listed will be implemented.

In order for the Implementation Plan's Goals and Objectives to be achieved, the projects, programs and expenditures outlined in this Second Implementation Plan will need to be implemented. The relationship between the Goals and Objectives of the Implementation Plan to eliminate blight conditions, and the projects, programs and expenditures outlined in

the Implementation Plan are described at the end of Section IV and in Figure IV-1. Private sector activities will additionally contribute to the removal of blight within the Project Area and the revitalization of the Project Area.

II.5.2 CASH FLOW

An illustrative five year cash flow for non-housing activities is provided in Figure II-4 which includes the proposed programs and project expenditures that are identified in the following section detailing the five year implementation activities.

FIGURE II-4 FIVE YEAR NON-HOUSING ACTIVITIES ILLUSTRATIVE CASH FLOW SECOND IMPLEMENTATION PLAN MCAS Tustin Redevelopment Project Area (000's omitted)							
	Projected Fund Balance (6-	Plan Year					Cumulative
		6 2008-09	7 2009-10	8 2010-11	9 2011-12	10 2012-13	
1. Revenues							
Fund Balance ¹	\$ 33,842	33,842	8,935	(23,349)	(22,090)	(17,750)	(20,411)
Non-Housing Tax Increment ²		9,918	14,693	16,576	20,100	21,949	83,235
Interest Earnings ²		413	541	791	1,073	1,417	4,235
Total - Gross Revenues:		\$ 44,173	\$ 24,168	\$ (5,982)	\$ (917)	\$ 5,616	\$ 67,059
2. Expenses							
(Less) Tax Allocation Note (\$25M) - Debt Service Payment ³							
Principal		4,046	5,992	6,763	8,199		25,000
Interest		1,506	2,128	1,752	765		6,152
Total - P&I		5,552	8,120	8,515	8,964		31,152
(Less) Housing Reimbursement Agreement (\$46M) ⁴		3,293	3,293	3,293	3,293	3,293	16,465
(Less) Housing Reimbursement Agreement (\$62M) ⁴		TBD	TBD	TBD	TBD	TBD	-
(Less) Projects/Programs ⁵		26,393	36,104	4,299	4,576	3,992	75,364
Total - Expenses		\$ 35,238	\$ 47,517	\$ 16,107	\$ 16,833	\$ 7,285	\$ 122,981
3. Net Available	\$ 33,842	\$ 8,935	\$ (23,349)	\$ (22,090)	\$ (17,750)	\$ (1,669)	\$ (55,922)
Notes:							
1. Projected Fund Balance: based on adopted City budget for FY08-09 includes: (1) Fund 54, Marine Base Debt Service, \$9,089,302; (2) Fund 55, Marine Base RDA, \$24,752,710.							
2. Non-Housing Tax Increment and Interest Earnings: projections based on analysis conducted by David Taussig & Associates in 2005.							
3. Tax Allocation Notes (\$25M): The debt schedule is per agreement with Citigroup Global Markets, Inc., the lender.							
4. Affordable Housing Reimbursement Agreements: Both housing set-aside funds and non-housing net tax increment will be used to meet the debt obligation for the Affordable Housing Reimbursement Agreement (\$46M). The Agency may reimburse the City for affordable housing in an amount of \$62M; this phase of affordable housing is not anticipated to coming online until 2011-12. Annual payments can be modified on an annual basis; the debt repayment may be accelerated. Total annual debt service payments are anticipated to range from approximately \$3.2M to \$12M.							
5. Projects/Programs: Based on anticipated annual program expenditures. Expenditures on these projects/programs will be determined on an annual basis based on source of funds, need, and timing. The detail for the Projects/Programs is shown in Figure II-5.							
<i>The term "Illustrative" is an example and is not intended to be limiting on the Agency's activities.</i>							

II.5.3 FIVE YEAR PROJECTS, PROGRAMS, AND EXPENDITURES

1. Acquisition, Disposition and Development Coordination Program

During the initial term of the Implementation Plan, the Agency staff administered acquisition, disposition and development coordination activities of City-owned properties in the disposition and development of parcels throughout the Tustin Legacy project. The Agency staff, during the term of the Second Implementation Plan, will continue in its role in acquisition, disposition, and coordinating development activities with the appropriate developers and City operating departments. Issues associated with the disposition of properties and management oversight of the activities will also be performed including leasing, licensing, property management, and site preparation. Market conditions will impact of the ability disposition to occur within the term of the Plan. The Agency is anticipated to coordinate with the City as follows:

- a. Disposition and Development Agreements (DDA) with the City of Tustin during the initial term of the Implementation Plan, entered into four DDAs.
 - Vestar/Kimco Tustin L.P. (The District at Tustin Legacy)
Convey 3.96 acres currently ground leased to Vestar/Kimco Tustin LP, the current lessee. The City is currently leasing the property from the Navy; conveyance is conditioned upon the Navy's remediating specific environmental conditions impacting the site. The lease is conditioned with significant obligations that are not expected to conclude until 2010-2011. The Agency is responsible for all development coordination activities associated with the terms and conditions of the DDA.
 - Tustin Legacy Community Partners, LLC (Master Developer)
A total of 820 acres will be conveyed over four phases. In June 2007, the first phase, consisting of approximately 320 acres, was conveyed to TLCP for development including the following uses: residential, office, retail, and open space, and public infrastructure. The remaining acreage is anticipated to be disposed of in Phases 2, 3, and 4 during the term of the Second Implementation Plan based on TLCP meeting specified performance measures. Leased parcels (LIFO) will not be conveyed until the Navy has fulfilled environmental remediation conditions that make the site suitable for transfer. The Agency is responsible for all development coordination activities associated with the terms and conditions of the DDA.

- WL Homes (dba John Laing Homes)
In March 2003, 29.4 acres (Tustin Field I) was conveyed for the construction of 376 residential units of which 78 were affordable units, and in May 2003 an additional 36.8 acres (Tustin Field II) was conveyed for the development of 189 residential units of which 40 were affordable units.
- b. Community Facilities District Financing and Related Assessment Financing
The Agency staff will coordinate with City departments, including the City's Finance Department, in seeking Community Facility District (CFD) financing and related assessment district financing as appropriate for new development within the Project Area. During the initial term of the Implementation Plan, the Agency participated in coordinating financing for three CFD totaling approximately \$78M (CFD 04-01 \$11,415,000; CFD 06-01 \$53,570,000; CFD 07-01 \$13,680,000). It is anticipated that approximately \$170M will be financed during the term of the Second Implementation Plan.
- c. Development Coordination in Project Area
The Agency staff will be responsible for overall development coordination within the Project Area and the Tustin Legacy project. This development coordination role will include all sites and parcels with Tustin Legacy.
- d. Solicitation of Existing City-owned Site (18.5 acres)
Solicit interests in the development of a City-owned site located in the western portion of the Project Area. In addition to solicitation of interests, the Agency will be responsible for all development coordination activities associated with the site. The property is bounded by Red Hill Avenue on the west, Valencia Avenue on the north, Warner Avenue on the south, and the SOCCCD property on the east. The schedule for solicitation and disposition will take into consideration market conditions that are in the City's and Agency's best interest.
- e. Interim Leasing and Licensing
The Agency will administer the leasing and licensing of City-owned properties in the Tustin Legacy project. Some of the leased parcels will be conveyed when environmental conditions have been remediated and the properties are found suitable for conveyance by the Navy. Licensing of City-owned properties will be done on an interim basis to address temporary needs related to the development of Tustin Legacy.
- f. Acquisition of Parcels currently Leased from Navy
Acquire leased parcels, also known as LIFOC parcels (Lease in Furtherance of Conveyance), from the Navy as part of the Economic Development Conveyance to

the City. Some of these parcels will be retained by the City for community facilities or infrastructure, while other LIFOC parcels will be conveyed to developer under the terms and conditions of existing DDA, as previously noted. These parcels are as follows:

- City Parcels: 1) a 24 acre community park, and 2) a 2.4 acre site containing a former child care center. The Agency is responsible for development coordination on these sites.
- TLCP Parcels: 1) a 32.2 acre site, known as Carve-Out Area 6, with a designated commercial land use; 2) 39.33 acres known as a portion of Carve-Out Area 5; and, 3) a 2.17 acre site, known as Carve-Out Area 9. The Agency is responsible for development coordination on these sites.
- SOCCCD Parcels: 31 acres are currently located in LIFOC area; the parcels are leased from the City to SOCCCD. The leased parcels are part of a larger site of 68 acres; 37 acres has been conveyed. The conveyance is subject to South Orange County Community College District (SOCCCD) complying with the terms and conditions of the Conveyance Agreement.
- Vestar/Kimco Tustin Parcel: 3.96 acres are currently located in a LIFOC area. This is part of an 87 acre conveyance. The Agency is responsible for development coordination on these sites.

2. Public Improvements & Facilities

The Agency will participate and coordinate the planning, design, and construction of public infrastructure improvements and community facilities. The projects listed below are currently proposed and may change during the term of the Implementation Plan, these changes will depend be the result of the of the following: market conditions; site conditions discovered during facility planning; identified community needs; and, the need to eliminate blight conditions.

Currently the Agency has identified an estimated \$407M of public infrastructure needs known as “backbone infrastructure”, within the Project Area or of benefit to the Project Area. These improvements include roadways, bridges, traffic signals, traffic mitigation (FEIS/EIR), drainage improvements, water quality improvements, dry utilities, public parks, and community facilities. A comprehensive list of potential projects is attached as Appendix B, Public Infrastructure and Community Facilities. A few of the anticipated projects from that list, as well as these infrastructure projects, are highlighted in the discussion that follows. Most of the projects highlighted will receive direct Agency funding with the potential that Agency funding may also be needed for other projects

listed in Appendix B; in likelihood, the funding would be needed for cost overruns or unknowns discovered during design.

- Tustin Ranch Road and Bridge Project – assist in the design, construction, and acquisition of right-of-way associated with the extension of Tustin Ranch Road from Walnut Avenue to Warner Avenue.
- Valencia/Armstrong Roadway Project – assist in the design and construction of the two remaining portions located in the southwest portion of the Project Area (Armstrong Avenue – Barranca to Warner), and the northeast portion (Valencia Avenue – Kensington to Moffett). Construction of these roadways will open parcels for the development of residential and commercial uses. Armstrong is a major north/south arterial and Valencia is a major east/west arterial.
- The District at Tustin Legacy Infrastructure Project – assist in the design and construction of the remaining portions of new infrastructure and the expansion of existing systems including roadways, storm drains, and utilities, including infrastructure in Warner Avenue and Barranca Parkway. This infrastructure will serve the new regional retail center, The District at Tustin Legacy, and the western portion of the Project Area.
- Red Hill Median – assist in the design and construction of median improvements associated with the widening of Red Hill Avenue, a roadway adjacent to the western boundary of the Project Area.
- Phase I Newport Avenue Extension/Northbound SR55 Ramp Reconfiguration /Edinger Avenue Widening Project Improvements (referred to as Phase I Newport Avenue) - acquisition of a 37 acres necessary for construction of Phase I Newport Avenue within the South Central Project Area. Although this project is in the South Central Project Area, the land was found to have benefit to the MCAS Tustin Project Area as a result of traffic generation from new development within the MCAS Tustin Redevelopment Project Area. A resolution, RDA Resolution No. 07-01, finding benefit to the Project Area was adopted by the Agency in 2007. It is anticipated because of the scope and schedule that as the project proceeds additional acquisition monies will be necessary above the initial project estimates.
- Tustin Legacy Community Park (24 acres) – planning, design, environmental assessment of existing buildings for adaptive reuse, environmental assessment of existing contamination plumes with Navy clean-up efforts, and construction of a community park to be owned and operated by the City of Tustin.

- Tustin Legacy Park (86 acres) – planning, programming, design, and construction of public athletic facilities, recreation facilities, open space areas, and trails, bicycle paths, and walkways.
- Fire Station (8,500 sq. ft. building on 1.25 acres) – planning, design and construction of a fire station. The fire station facilities and land will be owned by the City and leased to the Orange County Fire Authority. The facilities will service development in the Project Area.

3. Demolition/Site Clearance

The Agency will participate in demolition and site clearance activities throughout Tustin Legacy to prepare sites for development by private and public entities.

4. Economic Development Programs

The Agency will initiate and participate in economic development programs in conjunction with the business community in the creation of jobs, and the growth and retention of businesses within the Project Area. The Agency will be instrumental in business attraction.

- Business Promotion and Attraction: Property owner and tenant assistance programs that promote and support new commercial development within the Project Area particularly businesses that are high job generators such as retail uses, office uses, and R&D uses. Expenditures would include, but not be limited to brochures, digital media, and marketing materials.
- LAMBRA: Assist business owners eligible for benefits under the Local Agency Military Base Recovery Act (LAMBRA). LAMBRA benefits include: 1) state tax benefits such as 15-year net operating loss carry-over; 2) business expense deductions; 3) sales and use tax credits; 4) hiring tax credits; and, 5) preference points on state contracts.

5. Environmental Remediation

The Agency is engaged in mitigation activities associated with environmental impacts in the Project Area and environmental impacts found to have a benefit to the Project Area that are outside the Project Area. The Agency is also engaged in on-site mitigation activities with the Navy as part of the Economic Development Conveyance process.

City of Tustin staff actively participates with Navy staff and state and federal regulatory agencies (United States Environmental Protection Agency, California Environmental Protection Agency/Department of Toxic Substances Control and Regional Water Quality Control Board) in reviewing and commenting on Navy remediation documents, and providing recommendations to assist the Navy in selecting remedies that support rapid economic development and reuse at the site, including specialized legal services associated military base closures and hazardous clean-ups.

6. Administrative Program Support & Indirect Costs

The Agency may also make payments to reduce the Low and Moderate Income Housing reimbursement agreement obligations, if additional tax increment funds are available from the non-housing (80%) funds during the Plan's five year period. Funding available and distribution is determined on an annual basis by the City's Finance Director and the City Manager as part of the annual budget process.

Administrative and indirect costs will be ongoing during the term of the Plan. The services include, but are not limited to, the following:

- Security Services – contracted services for protection of City-owned properties at Tustin Legacy that will be developed during the term of the Plan.
- Security Lighting – lighting associated with securing City-owned properties at Tustin Legacy that will be developed during the term of the Plan.
- Due Diligence activities – third party and in-house services associated the disposition and development of sites located at Tustin Legacy.
- Legal Services – comprehensive legal services related to activities within the Project Area and activities outside the Project Area in which a finding of benefit has been established including City Attorney services and Special Counsel.
- Management of Assets – in-house and contracted third party legal services.
- Planning and Design – in-house and contracted third party services associated with planning and design activities.
- Leasing of Office Space and Equipment
- Telephone
- Printing
- Audit/Accounting
- Office Materials and Supplies
- Meetings and Training
- Membership Dues and Subscriptions
- Computer Software and Hardware

To support the major areas of the Implementation Plan, direct administrative costs, and indirect costs including consulting and legal expenses will also be incurred, as shown in Figure II-5.

FIGURE II-5
PROGRAMS - NON-HOUSING EXPENDITURES
SECOND IMPLEMENTATION PLAN
Tustin MCAS Redevelopment Project Area
Tustin Community Redevelopment Agency
(all numbers represent dollars)

	Total	6 2008-09	7 2009-10	8 2010-11	9 2011-12	10 2012-13
1 Acquisition, Disposition, and Development Coordination						
Vestar/Kimco Tustin (The District at Tustin Legacy)	143,360	37,085	38,940	40,890	20,445	6,000
Tustin Legacy Community Partners	2,234,075	385,000	740,000	345,545	557,994	205,536
WL Homes (Tustin Field I and II)	5,000	5,000	-	-	-	-
Lennar/Lyon (The Villages of Columbus)	45,000	15,000	15,000	7,500	5,000	2,500
Newport Extension ¹	20,000,000	10,000,000	10,000,000	-	-	-
Solicitation Process - 18 acre site	290,000	40,000	150,000	50,000	25,000	25,000
Interim Leasing and Licensing	37,500	7,500	7,500	7,500	7,500	7,500
Parcel Acquisition activities associated LIFOC parcels	189,300	50,600	50,600	50,600	25,000	12,500
Total - Acquisition, Disposition, and Development Coordination	\$ 22,944,235	\$ 10,540,185	\$ 11,002,040	\$ 502,035	\$ 640,939	\$ 259,036
2 Public Improvements and Facilities						
General Oversight ²	4,691,283	413,510	1,461,475	1,264,070	1,052,228	500,000
Tustin Ranch Road	1,106,191	1,106,191	-	-	-	-
Valencia/Armstrong	25,000	25,000	-	-	-	-
The District at Tustin Legacy Infrastructure	30,000,000	10,000,000	20,000,000	-	-	-
Red Hill Avenue Median Improvements	2,500,000	2,500,000	-	-	-	-
Tustin Legacy Park - 24 acre Community Park	1,557,765	-	1,557,765	-	-	-
Total - Public Improvements and Facilities	\$ 39,880,239	\$ 14,044,701	\$ 23,019,240	\$ 1,264,070	\$ 1,052,228	\$ 500,000
3 Demolition/Site Clearance						
Site Preparation and Demolition	380,000	180,000	50,000	50,000	50,000	50,000
Total - Community Facilities	\$ 380,000	\$ 180,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
4 Economic Development						
Business Attraction, Growth and Retention Program	639,600	127,920	127,920	127,920	127,920	127,920
LAMBRA Promotion and Monitoring Program	250,000	50,000	50,000	50,000	50,000	50,000
Total - Community Facilities	\$ 889,600	\$ 177,920	\$ 177,920	\$ 177,920	\$ 177,920	\$ 177,920
5 Environmental Remediation						
Special Studies and Monitoring	150,000	30,000	30,000	30,000	30,000	30,000
Legal Services	125,000	25,000	25,000	25,000	25,000	25,000
Total - Environmental	\$ 275,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
6 Administrative Program & Indirect Costs ³						
Administrative Program Costs	6,250,000	\$ 750,000	\$ 1,000,000	\$ 1,250,000	\$ 1,500,000	\$ 1,750,000
Overhead/Indirect Costs	4,745,000	\$ 645,000	\$ 800,000	\$ 1,000,000	\$ 1,100,000	\$ 1,200,000
Total - Admin Program & Indirects	\$ 10,995,000	\$ 1,395,000	\$ 1,800,000	\$ 2,250,000	\$ 2,600,000	\$ 2,950,000
TOTAL NON-HOUSING PROGRAMS	\$ 75,364,074	\$ 26,392,806	\$ 36,104,200	\$ 4,299,025	\$ 4,576,087	\$ 3,991,956

Notes: This budget will be modified on an annual basis to accommodate changes in the mitigation of blight conditions, changes in revenues, and changes in market conditions. The sub-categories listed under the six programs/activities listed above are representative of programs that will be addressed under this Plan; these projects and programs are subject to change.

¹ Newport Extension - may include public improvements

² approximately 5.0% of project costs

³ Administrative Program & Indirect Costs include the reimbursements to the City's General Fund for work completed by the City's operating departments, Redevelopment Agency staff, and supporting consulting services. This also includes overhead associated with City and Agency staff.

Section III

Five-Year Implementation Plan for Housing Redevelopment Activities

HOUSING ACTIVITIES

III.1 Introduction

The Housing Section is a major component of the Implementation Plan. The Plan represents the Agency's explanation of how specific goals and objectives and proposed projects, programs and expenditures will implement the low and moderate income housing requirements mandated by law, including the following:

1. An annual housing program for the five year Implementation Plan term that provides sufficient detail to measure performance of the Low and Moderate Income Housing Fund Requirements.
2. An estimate of the number of new, rehabilitation, assisted, price restricted and destroyed housing units during the term of the respective redevelopment plan.
3. An outline of the Agency's plan in using the Housing Set Aside Funds including annual deposits, transfers of funds, or accruals for special projects.
4. An identification of programs and projects that will result in the destruction or removal of existing affordable housing, if any, and the proposed locations for replacement housing.
5. The Agency's ten year housing affordability compliance plan as required by California Community Redevelopment Law (CRL) Sections 33413(b)(4) and 33490(a)(2).

III.2 Background

In addition to CRL requirements, the Agency's affordable housing efforts are guided by the Regional Housing Needs Assessment (RHNA) produced by the Southern California Association of Governments (SCAG), and the City's Housing Element and Comprehensive Affordable Housing Strategy. In June 2008, the City and the Community Redevelopment Agency adopted the *2008/09 – 2017/18 Comprehensive Affordable Housing Strategy (CAHS)* to direct and focus the City's and Agency's efforts to produce and maintain affordable housing within the community. The CAHS is largely the basis which the Second Five-Year Implementation Plan has been formulated. While the *2000/01 – 2009/10 Comprehensive Affordable Housing Strategy* had not expired, significant changes in the housing market led the Agency to prepare an updated CAHS Strategy for the 2008/2009 to 2017/2018 period, to be coordinated with the City's required 5 year update of its Housing Element. The updated CAHS will further the Agency's affordable housing efforts while taking into account the changing market and ensuring consistency between Agency activities and the Housing Element.

The housing component of the Second Five-Year Implementation Plan is also guided by the numerous provisions of the Community Redevelopment Law that regulate low and moderate-income housing activities. As a result, the Housing Section of the Implementation Plan is

more comprehensive than the section for non-housing redevelopment activities. Along with outlining the programs including the activities and expenditures, the housing component also evaluates the Agency's compliance with the laws and regulations governing the Low and Moderate-Income Housing Set-Aside Fund and Housing Production in a Redevelopment Project Area. More particularly, the report reviews the Agency's major housing responsibilities which generally fall under four broad categories including: 1) the set-aside of 20% of gross tax increment for low and moderate income housing (Sections 33334.2 and 33334.6 of CRL); 2) the creation of housing affordable to low and moderate income persons and families based on the production of all new or substantially rehabilitated dwelling units (Section 33413(b) of CRL); 3) the replacement of low and moderate income dwelling units removed as result of Agency activity (Section 33413(a) of CRL); and 4) the proportional expenditure from the 20% Set Aside fund on housing for low and very low income persons based on community need (Section 33334.4(a)).

The goals of the Housing Program are to increase the quantity and improve the quality of housing stock in Tustin by providing new and rehabilitated affordable housing opportunities throughout the community. To accomplish the goals and objectives of the Housing Program, the Agency adopted a Finding of Benefit on June 2, 2003, as allowed under the law, which determined the use of Housing Set-Aside Funds outside of designated Redevelopment Project Areas and throughout the City that would be of direct benefit to the MCAS Tustin Redevelopment Project Area.

Under the California Health and Safety Code Section 33413, at least 15% of all new and substantially rehabilitated dwelling units developed within a project area are required to be made available at an affordable housing cost to and occupied by person and families of low- or moderate-income. Not less than 40% of the total required affordable dwelling units are to be made available to very low income households. The ten year production and expenditure requirements under the CRL put a high financial burden on the Agency's new MCAS Tustin Redevelopment Project Area. Insufficient tax increment revenue in the MCAS Tustin Redevelopment Project Area's early years limited the Agency's ability to directly subsidize affordable housing.

In order to assist the Agency in meeting its affordable housing obligations within the MCAS Tustin Redevelopment Project Area, the City entered into agreements, either as a condition of developing a larger project or developments that sold City-owned properties within the MCAS Tustin Project Area at a discount to the market value accounting for the affordability gap associated with the development of affordable units. On June 5, 2007, the City Council approved the *"Reimbursement Agreement Between the City of Tustin and Tustin Community Redevelopment Agency Related to Affordable Housing Responsibilities to be Assumed by the Agency ("Reimbursement Agreement")"*.

Under the Reimbursement Agreement, the Agency is reimbursing the City for its financial assistance in carrying out the Agency's Redevelopment Plan objectives including the production of affordable housing units. The reimbursement may come from 80% Tax Increment/Non-Housing Funds and from 20% Tax Increment/Housing Set-Aside Funds. Reimbursement sources are not limited to the MCAS Tustin Project Area but may also come from 80% Tax Increment/Non-Housing Funds and Housing Set-Aside Funds from the Town Center and South Central Project Areas.

III.3 Recent Legislation Affecting Housing Activities

Recently enacted legislation, Assembly Bill (AB) 987, effective January 1, 2008, requires redevelopment agencies to compile and maintain a database of existing, new and substantially rehabilitated housing units developed or otherwise assisted with monies from the Low and Moderate Income Housing Fund. The database must be available to the public on the Internet, and be updated on an annual basis. The Agency's database consists of two lists, one for affordable owner-occupied housing units and the other for affordable rental housing projects. The list can be found on the City of Tustin website, www.tustinca.org, under Housing. In addition, AB 987 requires the recordation of a separate document, called "Notice of Affordability Restrictions on Transfer of Property," for all new or substantially rehabilitated units developed or otherwise assisted with moneys from the Low and Moderate Income Housing Fund on or after January 1, 2008.

III.4 The Low and Moderate Income Housing Funds Available

Section 33334.2 of the CRL requires, for every redevelopment plan adopted or amended to add territory on or after January 1, 1977, no less than 20 percent of the tax increment received by the Agency from a Redevelopment Project Area be set aside for increasing, improving and preserving the community's supply of low and moderate income housing. The revenues may be expended inside or outside of a project area. If expended outside the Project Area, a resolution must be adopted stating that outside expenditures are of benefit to the Project Area. As discussed earlier, the Redevelopment Agency adopted Resolution No. RDA 03-10 on June 2, 2003, stating that outside expenditures benefitted the Project Area.

Figure III-1 identifies the amount of housing set-aside funds available in the Low and Moderate Income Housing Fund and the estimated amounts which will be deposited in the Low and Moderate Income Housing Fund during each of the next five years. While the projected set-aside tax increment revenues shown are based on projected development activity within the Project Area, the actual housing set-aside deposits could be more or less than the amounts shown based on actual development phasing.

Figure III-1
Summary of Housing Set-Aside Funds
2008-09 through 2012-13

MCAS Tustin Project Area	Estimated Beginning Fund Balance (7/1/2008)	2008/09	2009/10	2010/11	2011/12	2012/13
Estimated Tax Increment Deposits¹		\$3,306,096	\$4,897,544	\$5,525,186	\$6,699,892	\$7,316,224
Interest Earnings²		\$45,135	\$46,159	\$75,051	\$115,432	\$177,077
Total Revenue		\$3,351,231	\$4,943,703	\$5,600,237	\$6,815,324	\$7,493,301
Debt Obligations						
Reimbursement Agreement³ Amended Reimbursement to City⁴		\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743
		TBD	TBD	TBD	TBD	TBD
Total Funds Available⁵	\$2,579,162	\$2,637,650	\$4,288,610	\$6,596,104	\$10,118,685	\$14,319,243

¹ Housing Set-Aside tax increment is 20% of the total tax increment generated in the MCAS Tustin Project Area. The estimated tax increment deposits is based on calculations from Taussig & Associates, Inc.; adjusted to reflect a 1 year delay in the Implementation Plan schedule.

² The Interest Earnings is estimated at 3.5%, based on 50% of the outstanding balance from the previous year.

³ The City loan payment of \$3,292,743 is shown against the MCAS Tustin Redevelopment Project Area Housing Set-Aside Funds but the payment can be distributed among all three Project Areas' 80% Non-Housing and 20% Housing Set-Aside Funds. The reimbursement to the City has been modified from the June-adopted 2008 Comprehensive Affordable Housing Strategy. In addition, these payments are assigned to pay for specific CIP projects. CIP priorities and costs can change annually as could the projected reimbursement payment amounts by year as determined by the Finance Director. The encumbrance will result in no surplus determination.

⁴ The Agency may amend the Reimbursement Agreement with the City in the projected amount of \$62 million; this phase of affordable housing is not anticipated to coming online until 2011-12. The terms and conditions of the Reimbursement Agreement are anticipated to be similar to the first reimbursement agreement. Annual payments are to be determined (TBD).

⁵ Total Funds Available is the sum of the previous year's Funds Available and current year's Total Revenue, less Reimbursement to the City.

The total amount of available funds for the five year period (FY 2008/09 to FY 2012/13) is estimated to be \$14,319,243. In addition to these funds being used for the production and rehabilitation of affordable housing over the next five years, these funds will also reimburse the City for its financial assistance to the Agency in the production of affordable housing units during the Initial Five-Year Implementation Plan for the MCAS Tustin Project Area. Under the Reimbursement Agreement, the Agency incurred a \$46,407,736 obligation (debt) to the City.

III.5 Housing Programs, Projects and Expenditures

A description of the projects and program expenditures comprising the Agency's housing activities during the next five and ten year periods are provided below.

1. Tustin Legacy - Ownership Multi-Family New Construction (322 units, \$39,753,509)

It is anticipated that 322 affordable ownership units will be created in the next five years. The 322 units are distributed as follows: 40 units for very low income households, 116 units for low income households, and 166 units for moderate income households as shown by location in Figure III-3. While no Agency direct funding will be provided by the Agency for the affordable units in the Villages of Columbus, units will be developed as a result of the City providing density bonus incentives including variances of certain development standards as a financial incentive towards the developer's provision of affordable housing.

The unit count in Neighborhood D and G represents Phase 1 of the Tustin Legacy Community Partners LLC (TLCP) Master Planned development; the subsidy requirement by the Agency is unknown at this time but we can assume that the average subsidy will be consistent with at least current affordability gaps of providing affordable ownership units by household type currently at the Tustin Legacy project. The initial subsidy will be borne by the City as an off-set against land sale value with the cost being transferred to the Agency under the terms and conditions of the existing Reimbursement Agreement, as may be amended.

Depending on Financing Markets and also other market conditions, the Agency will need to maintain the flexibility to reduce its affordability gap in producing these units by changing out affordable ownership units for affordable multi-family apartments.

2. Tustin Legacy – Multi-Family Rental, New Construction (253 units, \$35,445,300)

The City's Disposition and Development Agreement with TLCP calls for the development of 253 new affordable rental units, including 126 units for very low income households, 64 units for low income households, and 63 units for moderate income households. The TLCP unit count represents projected Phase 1 development; the subsidy requirement is currently estimated at approximately \$35,445,300. David Rosen & Associates' affordability gap calculation of \$140,100 per unit found in Table 4 of the 2008/09 – 2017/18 Comprehensive Affordable Housing Strategy was used to calculate the estimated subsidy. The subsidy will be borne by the City as an off-set against land sale value with the cost being transferred to the Agency under the terms and conditions of the existing Reimbursement Agreement, as may be amended.

3. First Time Homebuyer Assistance and/or Foreclosure Negotiated Purchase
(30 units, \$2,400,000)

The City's First-Time Homebuyer Program provides down payment and second mortgage assistance to low and moderate income buyers to assist them to purchase an existing home in the City. The recent mortgage credit crises have resulted in increasing foreclosure rates throughout many parts of California. The City has allocated \$2.4 million to assist new first-time homebuyers in purchasing a home. This may also include negotiated purchase of homes in foreclosure, which may represent a lower cost buying opportunity for first-time homebuyers. The City anticipates assisting 30 buyers with these funds and projects two purchases occurring in the MCAS Tustin Project Area.

4. Homeless Assistance and Supportive Services (non-local resource)

The City has allocated \$60,000 in CDBG funds to continue its financial support of homeless assistance and supportive services in the City. The City's goal for this program is to assist 200 homeless individuals per year during the Second Five-Year Implementation Plan.

5. Administrative Support Expenditures (\$1,439,579)

Administrative Support costs incurred and directly related to implementing the housing program include salaries, overhead, consultant and legal expenses, supplies, etc. The Agency's administrative program support expenditures from Housing Set-Aside Funds must be determined each year and found to be necessary to implement the housing program (CRL Section 33334.3(d)).

Figure III-2 provides an illustrative example of how the combined housing programs could be financed on an annual basis over a five year period. Actual timing and specific amounts may be adjusted over time and specific decisions are made as part of the Agency's annual budget process. The CRL identifies that beginning fund balances in any year which exceed the higher of \$1 million or the sum of the prior 4 year deposits and which are funds which have not been contractually encumbered are considered "Excess Surplus" and such funds must be expended within one year.

Figure III-2

Five-Year Housing Programs Illustrative Cash Flow

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	TOTALS
Resources						
Beginning Fund Balance	\$2,579,162	\$2,449,851	\$3,746,439	\$5,752,124	\$8,862,715	
MCAS Tustin Housing Set-Aside Fund Deposits	\$3,306,096	\$4,897,544	\$5,525,186	\$6,699,892	\$7,316,224	\$27,744,942
Investment Interest	\$45,135	\$46,159	\$75,051	\$115,432	\$177,077	\$458,854
Community Development Block Grant	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
Estimated Total Resources	\$5,940,393	\$7,403,554	\$9,356,676	\$12,577,448	\$16,366,016	\$28,253,796
Expenditures						
Tustin Legacy - Ownership ¹	UNK	UNK	UNK	UNK	UNK	UNK
Tustin Legacy - Rental ²	UNK	UNK	UNK	UNK	UNK	UNK
First Time Homebuyer and/or Foreclosure Negotiated Purchase	\$0	\$80,000	\$0	\$80,000	\$0	\$160,000
Homeless Assistance & Supportive Services ³	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
Reimbursement Agreement Amended	\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743	\$16,463,715
Reimbursement to City ⁴	TBD	TBD	TBD	TBD	TBD	TBD
Administrative & Indirect Expenses ⁵	\$187,799	\$274,372	\$301,809	\$331,990	\$343,609	\$1,439,579
Estimated Total Expenditures	\$3,490,542	\$3,657,115	\$3,604,552	\$3,714,733	\$3,646,352	\$18,113,294
Balance Available	\$2,449,851	\$3,746,439	\$5,752,124	\$8,862,715	\$12,719,664	

¹ The projected obligation to develop 130 affordable ownership housing units at Tustin Legacy is \$39,753,509. The initial subsidy will be borne by the City with the cost being transferred to the Agency under the terms and conditions of the existing Reimbursement Agreement. While development is projected to begin in 2011-12, the annual expenditures are UNKNOWN at this time.

² The projected obligation to develop 253 affordable rental housing units at Tustin Legacy is \$35,445,300. The initial subsidy will be borne by the City with the cost being transferred to the Agency under the terms and conditions of the existing Reimbursement Agreement. While development is projected to begin in 2011-12, the annual expenditures are UNKNOWN at this time.

³ Homeless Assistance & Supportive Services is funded by Community Development Block Grant Funds

⁴ The Agency may amend the Reimbursement Agreement with the City in an additional projected amount up to \$62 million; this phase of affordable housing is not anticipated to coming online until 2011-12. The terms and conditions of the Reimbursement Agreement are anticipated to be similar to the first reimbursement agreement. Annual payments are to be determined (TBD).

⁵ Administrative Support Expenditures are projected to grow 3.5% annually. The exception is 2009/10 when Support Expenditures increase an additional \$320,000 as a result of expenses previously assigned to the Tustin Legacy Enterprise Fund. The Enterprise Fund closes at the end of 2008/09 and the additional expenses will be allocated to the MCAS Tustin Expenditure Accounts.

Given the successful implementation of the Housing Program, projects and expenditures noted above, the annual distribution of the units for each major program category is provided below:

Figure III-3
Estimated Annual Distribution of Assisted Units & Households

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	TOTALS
1. Tustin Legacy - Ownership						
Villages of Columbus	26	13	45	45	63	192
Neighborhood D	0	0	0	47	50	97
Neighborhood G	0	0	0	16	17	33
2. Tustin Legacy - Rental	0	0	0	154	99	253
3. First Time Homebuyer and/or Foreclosure Negotiated Purchase ¹	0	1	0	1	0	2
4. Homeless Assistance & Supportive Services ²	200	200	200	200	200	1000
Total Number of New, Rehabilitated or Price Restricted Units	226	214	245	463	429	1577

¹ While the city-wide goal for this program is 30, it is projected 2 homes in the MCAS Tustin Redevelopment Project Area will be assisted through foreclosure negotiated purchases.

² Homeless Assistance & Supportive Services is measured in number of persons served as opposed to the number

III.6 Proportional Expenditure of Housing Funds

Section 33334.4(a) of the CRL requires expenditures in the Low and Moderate Income Housing Fund during a 10-year period to assist very low and low income households in at least the same proportion as the total number of units needed within the community. The proportion of very low, low and moderate income units is determined for each community on the basis of the unmet need for housing amount certain income group categories as reflected in the City’s share of the regional housing needs identified pursuant to Section 65584 of the California Government Code (the Regional Housing Needs Assessment (RHNA)). In addition CRL 33490(a)(2)(C)(i) requires the Agency to identify the number of housing units needed for very low, low and moderate income persons as each of those needs have been identified in the most recent determination pursuant to Section 65584. “Figure III-4 – 2006-2014 RHNA Adjusted Affordable Housing Expenditure Goal” identifies the number of affordable housing units the City is to produce under the current RHNA. The number of housing units was

produced by the Southern California Association of Governments (SCAG) and has been in effect since January 1, 2006 and was included in the newly adopted Housing Element of the General Plan.

Figure III-4
Fair Share Adjusted Affordable Housing Expenditure Goal
 Jan. 1, 2006 - June 30, 2014

<i>Description</i>	<i>Very Low</i> ¹	<i>Low</i>	<i>Moderate</i>	<i>Above Moderate</i>	<i>Total Affordables</i>
SCAG Produced RHNA Goals (2006)	512	410	468	991	1390
Original RHNA Proportional Expenditure Requirement²	37%	29%	34%		
Non-Agency Assisted Affordable Households To Date (Jan. 1, 2006 - July 16, 2008)	225	40	43	649	308
Modified Adjusted Proportionate Goal (July 17, 2008 - June 30, 2014)	287	370	425	342	1082
Modified Adjusted Proportionate Expenditure Requirement²	27%	34%	39%		
Future Projected Non-Agency Assisted Affordable Households³ (July 17, 2008 - June 30, 2014)	40	85	67		192
Revised RHNA Goals (Jan. 1, 2006 - July 16, 2013)	247	285	358		890
Revised Proportional Expenditure Requirement⁴	28%	32%	40%		

¹ Actual production during the Initial Five-Year Implementation Plan includes the Village of Hope, a 192-bed transitional facility. Columbus Square and Columbus Grove in Figure III-7 are non-Agency assisted affordable housing developments.

² Percentages may not total 100% due to rounding.

³ A detailed breakout of Affordable Households to be built and assisted during the Second Five-Year Implementation Plan can be found in Figure III-7. Columbus Square is non-Agency assisted affordable housing.

⁴ The Expenditure Requirement is for the term of the Second Five-Year Implementation Plan unless actual non-Agency Assisted Households increases in which the RHNA goals could still adjust. Percentages may not total 100% due to rounding.

The Agency's original RHNA proportional expenditure requirements are 37% for very low income households, 29% for low income households, and 34% for moderate income households. Pursuant to CRL 33334.4(a), the Agency may adjust the 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 over the duration of the implementation plan with other locally controlled assistance and without agency assistance. The City initiated the development of additional very low, low and moderate income housing in the MCAS Tustin Project Area through density bonus incentives. Therefore, the Agency is permitted to adjust the proportional expenditure requirements accordingly as shown in Figure III-4. In addition, MCAS Housing Set-Aside funds can be used outside of the Project Area based upon an adopted benefit resolution and the Agency will insure funds used as such will assist the Agency's efforts to comply with the ten-year requirement.

Based on the above, as adjusted pursuant to Section 33334.4(a) of CRL, the Agency will spend, at minimum, 28% of Housing Set-Aside Funds for very low income households, 32% for low income households and 40% for moderate income households. Figure III-4 identifies the projected allocation of households assisted during the Second Five-Year Implementation Plan. The target is intended over the life of the redevelopment project and not strictly on an annual basis and the goal will be adjusted in conjunction with any further locally assisted projects not funded by the Agency.

In addition, as of January 1, 2003, according to CRL Section 33334.4(b), each redevelopment agency shall expend, over the duration of each redevelopment Implementation Plan, funds for all persons regardless of age in at least the same proportion as the number of low-income households with a member under age 65 years as compared to the total number of low-income households of the community as reported in the most recent census of the United States Census Bureau. According to the 2000 U.S. Census, 87 percent of low-income households in Tustin included a member under the age of 65. Therefore, it is the Agency's goal to spend approximately 87% of the moneys in the Housing Fund for non-senior affordable housing activities to reflect this proportion of persons under 65 years of age in the community. All of the units produced to date are for family housing and no expenditures have been made for senior housing units. Coventry Court, the Lennar Homes senior housing development projected to open in FY 2008/09, is building 153 affordable units in the development as a result of City density bonus incentives.

Figure III-5 reports the Agency's first five year of expenditures and projects the next five years for a ten-year picture of expenditures in relation to compliance with Section 33334.4(a). As noted in Figure III-4, the Agency's proportional expenditure goal of 28% for very low income households and 32% for low income households requires at least 60% of the Agency's Housing Set-Aside Funds are to be spent on very low and low income households. Figure III-5

demonstrates the Agency will actually spend 63% of Housing Set-Aside Funds on very low and low income households, 38% for very low income households and 25% for low income households. The allocation of funds was based on the projected number of households developed under each income category multiplied by the average gap funding provided by the Agency for each income category. The projections do not show the Amended Reimbursement to the City's distribution of funds across the income categories. Based upon the average gap funding for each income category and the number of units funded in each income category, the Agency projects to spend at least 67% of the Housing Set-Aside funds on very low and low income households when the Amended Reimbursement to the City funds are applied to the Figure III-5 calculations. The Agency will insure Housing Set-Aside funds are expended in proportional compliance with Section 33334.4(a).

**Figure III-5
Ten Year RHNA Affordable Housing Expenditure Compliance Plan**

July 17, 2003 to July 16, 2013

Housing Programs	Expenditures - First Five Years 2003 - 2008	2008/09	2009/10	2010/11	2011/12	2012/13	Ten Year TOTAL
Reimbursement Agreement¹	\$2,500,000	\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743	\$3,292,743	\$18,963,715
Very Low	\$2,500,000 100%	\$954,895 29%	\$954,895 29%	\$954,895 29%	\$954,895 29%	\$954,895 29%	\$7,274,477 38%
Low	\$0 0%	\$921,968 28%	\$921,968 28%	\$921,968 28%	\$921,968 28%	\$921,968 28%	\$4,609,840 24%
Moderate	\$0 0%	\$1,415,879 43%	\$1,415,879 43%	\$1,415,879 43%	\$1,415,879 43%	\$1,415,879 43%	\$7,079,397 37%
First Time Homebuyer and/or Foreclosure	\$0	\$0	\$80,000	\$0	\$80,000	\$0	\$160,000
Very Low	\$0	\$0 0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Low	\$0	\$0 0.0%	\$80,000 100.0%	\$0 0.0%	\$80,000 100.0%	\$0 0.0%	\$160,000 100.0%
Moderate	\$0	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Amended Reimbursement to City²	\$0	TBD	TBD	TBD	TBD	TBD	TBD
TOTAL	\$2,500,000	\$3,292,743	\$3,372,743	\$3,292,743	\$3,372,743	\$3,292,743	\$19,123,715
Very Low	\$2,500,000 100%	\$954,895 29%	\$954,895 28%	\$954,895 29%	\$954,895 28%	\$954,895 29%	\$7,274,477 38%
Low	\$0 0%	\$921,968 28%	\$1,001,968 30%	\$921,968 28%	\$1,001,968 30%	\$921,968 28%	\$4,769,840 25%
Moderate	\$0 0%	\$1,415,879 43%	\$1,415,879 42%	\$1,415,879 43%	\$1,415,879 42%	\$1,415,879 43%	\$7,079,397 37%

¹ The initial payment to the City during the Initial Five-Year Implementation Plan was assigned to the very low income expenditure category. The reimbursement to the City has been modified from the June-adopted 2008 Comprehensive Affordable Housing Strategy. The allocation of funds across the income categories was based on the percentage of promissory notes incurred for each income category.

² The Amended Reimbursement Agreement is projected to total \$62 million. This phase of affordable housing is not anticipated to coming online until 2011-12. The projected payment is To Be Determined (TBD) and the payments can be modified on an annual basis. The allocation of funds across income categories will be based on the projected percentage of promissory notes to be assigned for each income category.

As discussed earlier in Section I, the Agency has a \$46,407,736 obligation to the City as described in the June 5, 2007 Reimbursement Agreement between the City and the Agency. This payment schedule can be modified pursuant to the Reimbursement Agreement and in conjunction with the adoption of the annual Agency Budget as determined necessary by the Agency's finance director and executive director. An Amendment to the Reimbursement Agreement or a new Agreement to reimburse the City by the Agency for up to an additional

\$62 million is anticipated with the Master Developer's footprint to accommodate the progress laid out in Figure III-3.

III.7 Affordable Housing Compliance Plan

1. Housing Production

The MCAS Tustin Project Area was adopted in 2003, and as a result is subject to housing requirements contained in Section 33413 of CRL. These requirements mandate that certain percentages of all housing developed in the project area be affordable to low to moderate income households.

- At least 15% of the units developed or substantially rehabilitated in the project area (there are currently only new units being developed) by public or private entities other than the Agency (including such entities receiving agency assistance) must be available at an affordable housing cost to, and occupied by persons and families of low to moderate income. Of these units, not less than 40% must be affordable to very low income households. This translates to a very low income requirement of 6% of the total units developed in the project area.
- Although rehabilitation and construction activities are not currently envisioned for the Agency directly by the Implementation Plan, at least 30% of the housing developed or substantially rehabilitated by the Agency itself within a project area must be available at affordable housing cost, and occupied by persons or families of low to moderate income. Of these units, 50% must be affordable to very low income households. This translates to a very low income requirement of 15% of the total project area units developed or substantially rehabilitated by the Agency. This requirement applies only to units directly developed by the Agency and would not apply to units developed by housing developers pursuant to agreements with or assistance from the Agency.

Per Section 33413(b)(2)(A)(iii) of the CRL, substantially rehabilitated dwelling units means all units substantially rehabilitated with Agency assistance. Section 33413(b)(2)(A)(iv) of the CRL also defines substantial rehabilitation as "rehabilitation, the value of which constitutes 25 percent of the after rehabilitation value of the dwelling, inclusive of land value.

Effective January, 2004, long term affordability covenants must be recorded on dwelling units produced pursuant to Section 33413 of the CRL, requiring that the units be maintained at an affordable housing cost to, and occupied by persons and families of low to moderate income, for the longest feasible time but not less than 55 years for rental units and 45 years for owner occupied units. The affordability controls on such units must be made enforceable by recorded covenants or restrictions in the same manner as required for units assisted by the

Agency's 20% Housing Set Aside Fund if they are to count towards meeting production requirements,.

Section 33413(b)(4) of the CRL also requires that the Agency's Implementation Plan for housing activities must be consistent with the community's housing element and the Agency's housing production requirement must be met every ten years. If more than the required number of low and moderate income units are developed in the ten year period, the affordable units in excess of the required number may be counted towards the agency's requirements for the next ten year period. If fewer than the required number of units are developed at the end of the ten year period, the agency must meet its production goals on an annual basis until the requirements for the ten year period are met. The Agency may cause the required inclusionary housing units to be produced inside or outside the redevelopment project area, but all units developed or substantially rehabilitated by the private sector, require two units outside the project area for each unit that otherwise would have had to be available inside the project area.

2. Past Production of Affordable Units in the Project Area

"Figure III-6 - Project Area Inclusionary Housing Production" identifies the number of affordable units that have been developed to meet the Agency's production requirements to date. The MCAS Tustin Specific Plan has authorized the development of 4,210 housing units, of which 4,076 units are proposed within the MCAS Tustin Redevelopment Project Area. Approximately 21% of the housing is projected to be available at an affordable housing cost to low and moderate income households. It is not projected during the Term of the Implementation Plan that the Agency would develop or substantially rehabilitate dwelling units within the Project Area.

Based on the information shown below, the Agency is exceeding the housing production requirements for low and moderate income units and 14 units behind on the very low income unit requirement. Appendix A has a detailed summary by project location of the number of units produced and actual affordable covenant restricted very low, low and moderate income units.

Figure III-6
Project Area Inclusionary Housing Production
 July 17, 2003 through July 16, 2008
 5 Year Housing Production Compliance Plan

	Total Project Area Construction	Very Low Income Units	Low Income Units	Moderate Income Units	Above Moderate Income Units (Unrestricted)	Total Affordables in Project Area
Total Units Produced in Project Area¹	1338				1104	
Affordable Units Required		80	121			201
Affordable Units by Project						
<i>John Laing</i>					447	
Tustin Field I		22	12	44		78
Tustin Field II		11	11	18		40
<i>Columbus Square</i>					410	
Cambridge Lane		13	23	0		36
Camden Place		8	17	13		38
<i>Columbus Grove</i>					224	
Clarendon		12	0	30		42
Total Affordable Housing Production		66	168			234
% of Total Construction		4.9%	5%	7.8%		17%
Unit Surplus / (Deficit)²		-14	47*			

¹ The number for above moderate income units was developed from Community Development's Tustin Legacy Monitoring Report as of June 3, 2008 while the affordable production numbers were developed from the Redevelopment Agency's Affordable Housing database. A portion of the Villages of Columbus' Cantara (27) and Westbourne (16) developments - a total of 43 units - is in the MCAS Tustin Specific Plan but not in the MCAS Tustin Redevelopment Project Area. These units were reduced from the total number of units in calculating the Total Units Produced in the Project Area.

² Phasing for development resulted in a lag in very low income unit production but all affordable obligations under statute have been conditioned in the entitlement approvals.

* Reflects the combined low and moderate income category (Section 33413(b)(2))

3. Housing Units to be Developed (Future Production).

The successful implementation of projects, programs, and expenditures identified previously in the housing portion of the Implementation Plan, would be anticipated to create new price restricted units over the next five year period as shown in Figure III-7. Based on the proposed projects, programs and expenditures, the Agency does not anticipate any problem in meeting its required housing affordability obligations under State Law.

Figure III-7
Future Project Area Inclusionary Housing Production
 July 17, 2008 through July 16, 2013
 Five-Year Housing Production Compliance Plan

	Total Project Area Construction	Very Low Income Units	Low Income Units	Moderate Income Units	Above Moderate Income Units (Unrestricted)	Total Affordables in Project Area
Estimated Production	2225				1650	
Estimated Affordable Housing Production Requirement		134	200			334
Estimated Affordable Housing Production						
<i>Ownership Units</i>						
Columbus Square ¹		40	85	67	423	192
Columbus Grove ¹		0	0	0	49	0
Neighborhood G ²		0	0	33	444	33
Neighborhood D ²		0	31	66	671	97
Total Ownership		40	116	166	1587	322
<i>Rental Units</i>						
Neighborhood G ²		73	42	39	38	154
Neighborhood D ²		53	22	24	24	99
Total Rental		126	64	63	62	253
Total Estimated Affordable Housing Production		166	409			575
Second Five-Year Implementation Plan Unit Surplus/(Deficit)		32	209			241
Initial Implementation Plan Surplus/(Deficit)		-14	47			33
Total Surplus/(Deficit)		18	256			

¹ The Columbus Square and Columbus Grove above moderate income production numbers were developed from Community Development's Tustin Legacy Monitoring Report as of June 3, 2008 while the affordable production numbers were developed from the Redevelopment Agency's Affordable Housing database. While the Ainsley Park development - a total of 84 units - is in the MCAS Tustin Specific Plan, 83 of the 84 units are not in the MCAS Tustin Redevelopment Project Area and these units were reduced from Community Development's estimated production numbers.

² Neighborhood G & D production numbers were based on TLCP Phase 1 development projections in the current DDA.

Figure III-7 reflects the anticipated development of the 2,225 housing units during the Second Five-Year Implementation Plan. The development of 575 affordable units includes construction of 253 rental units. As discussed earlier, the MCAS Tustin Specific Plan has authorized a total of 4,076 units in the Project Area, 879 (21%) are affordable. During the initial Five-Year Implementation Plan, 1,338 housing units were built, of which 234 are affordable. There is a Specific Plan-approved balance of 513 housing units, 70 affordable, left to be developed beyond July 16, 2013, the end of the Second Five-Year Implementation Plan.

III.8 Replacement Housing Obligations

Section 33413(a) of the CRL requires that whenever dwelling units housing low or moderate income households are destroyed or removed from the low and moderate income housing market as part of a redevelopment project that is subject to a written agreement with the Agency or where financial assistance has been provided by the Agency, the Agency shall, within four years of the destruction or removal, rehabilitate, develop, or construct, or cause to be rehabilitated, developed, or constructed, an equal number of replacement dwelling units which have an equal or greater number of bedrooms as those removed or destroyed at affordable housing costs within the jurisdiction of the Agency. The replacement housing units shall be available at affordable housing cost to persons in the same or a lower income category (low, very low, or moderate), as the persons displaced from those destroyed or removed units. The MCAS Tustin Redevelopment Plan and Second Five-Year Implementation Plan have determined that no replacement housing unit obligations would occur.

IV. RELATIONSHIP TO BLIGHT

The CRL requires an explanation of the relationship between proposed projects, programs and expenditures to the elimination of blight with the project area during the period of the Plan. At the time the MCAS Tustin Redevelopment Plan was adopted, the plan spoke to health and safety conditions of buildings, and the factors that characterize economic dislocation, deterioration or disuse. Briefly, a blighted area is one that contains specific conditions and factors resulting in the lack of proper utilization of the area that constituted a serious burden on the community and that could not be alleviated by private enterprise acting alone.

Eliminating blight conditions are addressed through the adopted five-year programs outlined in this Plan. Specifically, the Implementation Plan Goals and Objectives will assist in attracting, retaining and growing businesses that are high job generators; assist in the planning, design, and installation of public improvements that were non-existent prior to the adoption of the Plan; assist in developing community facilities that address community needs; and, assist in correcting environmental problems that will allow property throughout the Project Area to be developed.

During the initial five years of the Implementation Plan, the Agency assisted and private sector redevelopment activities have made major contributions in transforming the Project from a former military base into a mixed use project comprising both public and private uses that address the needs of the community in housing, commercial development, job creation, and public facilities. Although significant progress toward addressing many of the blighting conditions have been completed or are in the process of being completed, major blight conditions remain. Many of the blight remediation conditions will be addressed under the Second Implementation Plan.

Figure IV-1 illustrates the relationship between goals & objectives, projects & programs, and blight elimination. This table ties the Agency's programs, described in Section II, to the project and activities during the term of the Second Implementation Plan. The following is a list of major blighting characteristics identified in the MCAS Tustin Redevelopment Plan and how the proposed Agency programs during the next five-year period will eliminate or prevent the spread of these blighting conditions within the Project Area:

- ***Unsafe/Unhealthy Buildings.*** The former MCAS Tustin base contains buildings and structures used by its former occupant, the Marine Corps. Many of these buildings contain materials that are no longer considered suitable for human occupancy. In addition, most of the buildings are special purpose military buildings including hangars used in the upkeep and maintenance of helicopters. Many of the buildings date back to the 1940's and 1950's, none of the buildings have been seriously

maintained since the early 1990's. Most of the buildings not removed during the term of the initial Implementation Plan will be removed during the term of the Second Implementation Plan.

- **Factors that Hinder Economic Viability Use.** Inadequate and obsolete infrastructure, inadequate and obsolete buildings, and hazardous waste are factors that hinder economically viable uses. During the term of the Second Implementation Plan existing infrastructure will be removed, existing buildings will be removed, and identified hazardous waste from the former occupant will be removed and/or treated.
- **Adjacent/Nearby Incompatible Uses.** The former Marine base contained military uses that are not compatible with the uses adopted under the Reuse/Specific Plan and the MCAS Tustin Redevelopment Plan.
- **Buildings on Land That When Subdivided would not meet Local Regulations.** The former Marine base contains buildings are not compatible with the City's zoning code. The buildings occupying the former base were built for military functions and were exempt from local regulations as a Federal facility. None of the buildings on the former base were found suitable for occupancy. In addition, much of the land in the Project Area contains aircraft-related facilities, runways, taxiways and aprons, and other specialized military uses.
- **Inadequate Infrastructure & Public Improvements.** Existing infrastructure serving the former MCAS Tustin base is antiquated having deteriorated over time. Additionally, the infrastructure did not have the capacity to adequately serve the proposed uses under the Reuse/Specific Plan. Infrastructure necessary to serve the uses under the Reuse/Specific Plan was installed during the term of the initial Implementation Plan by the private sector under various financing mechanisms. Not all of the necessary infrastructure can be installed by the private sector without financial assistance from the Agency. Under the Second Implementation Plan appropriate public infrastructure will be installed to allow for the development of the Tustin Legacy project.
- **Buildings that did not Conform to Codes Effective when Built.** The closure of the Marine Corps base resulted in the abandonment of buildings and the creation of vacant lots.
- **Facilities that must be Removed to Allow Development.** Buildings on the former military base will be demolished that are unsafe or unhealthy. All of the former military buildings are in various stages of decay due to lack of maintenance after the base was abandoned by the Marine Corps in the early 1990's. Removal of existing buildings, facilities, and infrastructure will eliminate incompatible adjacent or nearby

uses such as the presence of military or aircraft-related uses that are now obsolete, but would facilitate the effective reuse and development of non-military uses in the Project Area.

- **Hazardous Waste.** The programs proposed are intended to eliminate or alleviate hazardous waste conditions and encourage private investment in the Project Area. During the initial term of the Implementation Plan, the Agency worked with local, regional, state, and federal agencies in clean-up activities resulting from military operations.

Figure IV-1 is a table that shows the relationship between the Goals & Objectives, Projects & Programs, and Blight Elimination.

**FIGURE IV-1
RELATIONSHIP BETWEEN GOALS & OBJECTIVES, PROJECTS & PROGRAMS, AND BLIGHT ELIMINATION
SECOND IMPLEMENTATION PLAN
MCAS TUSTIN REDEVELOPMENT PROJECT AREA**

REDEVELOPMENT PROGRAMS	GOALS & OBJECTIVES										BLIGHTING CONDITIONS						
	Eliminate Blight/Environmental Deficiencies	Assemble Land into Parcels for Development	Redevelopment/Reuse Stagnant or Improperly Utilized Area	Revitalization Opportunities for Owners & Tenants	Strengthen Economic Base/Stimulate New Investment & Economic Growth	Create Employment Opportunities	Provide Environment for Social & Economic Growth	Increase Supply of Affordable Housing	Replace Inadequate Public Improvements, Facilities & Utilities	Unsafe/Unhealthy Buildings	Factors that Hinder Economically Viable Use	Adjacent/Nearby Incompatible Uses	Buildings on Land That When Subdivided would Not Meet Local Regulations	Inadequate Infrastructure & Public Improvements	Building that did not Conform to Codes Effective when Built	Facilities the must be Removed to Allow Development	Hazardous Waste
1 Acquisition, Disposition, and Development	X	X	X	X		X	X				X	X	X	X			
2 Public Improvements & Facilities	X	X			X	X		X	X						X		
3 Demolition/Site Clearance	X	X			X	X		X	X								
4 Economic Development		X	X	X	X	X						X					
5 Environmental Remediation	X	X				X										X	
6 Admin. Program Support & Indirect Costs	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7 Housing Programs		X				X											X

V. SUMMARY AND CONCLUSION

Combined redevelopment activities by the City, Agency and private sector have contributed to reducing the blighting conditions in the Project Area during the initial five years of the Implementation Plan. Substantial progress towards achieving the Redevelopment Plan's goals and objectives will continue during the Second Implementation Plan period; however, financial resources are expected to be insufficient to complete all implementation activities within the five-year time period.

During the initial Five-Year Implementation Plan the Agency's actions coupled with favorable economic conditions served to stimulate development within the Project Area. The projects identified in this Implementation Plan have substantially increased tax increment over the estimates provided in the initial Implementation Plan.

The Project Area experienced considerable housing and non-housing activity during the initial Implementation Plan period as a result of property disposition activity, demolition/clearance activity, and site preparation work in the Project Area. Combined public and private investments in the Project Area have made significant contributions toward eliminating blighting conditions and stimulating new development and economic revitalization.

A number of large-scale public improvement projects are in progress and more of these projects are in the planning and engineering stages. These activities are typically longer-term and require considerably more money and financial participation than individual development projects. The construction start dates for these public improvement projects are subject to project funding availability, agreements with developers, and entitlement conditions.

The projects, programs and expenditures to be implemented over the next five years will depend on the level of financial resources available to the Agency. Available financial resources will include tax increment, after the Agency's 20% deposit to the low and moderate income housing set-aside fund, and revenue from bond proceeds, land sales, prior loan repayments, interest earnings, and new loans to the Agency.

APPENDIX A

AFFORDABLE HOUSING TABULATIONS

APPENDIX A

MCAS Tustin Redevelopment Project Area Housing Units Constructed/Restricted Units

July 17, 2003 to July 16, 2008

Development	Very Low	Low	Moderate	Market	TOTAL	<i>Total Affordables</i>
John Laing						
<i>Tustin Field I</i>	22	12	44	62	140	78
<i>Lindy Crossing</i>	0	0	0	52	52	0
<i>Wright's Landing</i>	0	0	0	58	58	0
<i>Corrigan</i>	0	0	0	126	126	0
<i>Ellyson Pointe</i>	0	0	0	77	77	0
<i>Bennett's Place</i>	0	0	0	61	61	0
<i>Tustin Field II</i>	11	11	18	11	51	40
John Laing Totals	33	23	62	447	565	118
Villages of Columbus						
<u>Columbus Square</u>						
<i>The Gables</i>	0	0	0	68	68	0
<i>Astoria</i>	0	0	0	38	38	0
<i>Verandas</i>	0	0	0	44	44	0
<i>Coventry Court</i>	0	0	0	9	9	0
<i>Cambridge Lane</i>	13	23	0	64	100	36
<i>Camden Place</i>	8	17	13	100	138	38
<i>Meriwether</i>	0	0	0	87	87	0
Columbus Square Totals	21	40	13	410	484	74
<u>Columbus Grove</u>						
<i>Ciara</i>	0	0	0	59	59	0
<i>Westbourne</i> ¹	0	0	0	43	43	0
<i>Cantara</i> ²	0	0	0	41	41	0
<i>Madison</i>	0	0	0	44	44	0
<i>Clarendon</i>	12	0	30	60	102	42
Columbus Grove Totals	12	0	30	247	289	42
TOTAL DEVELOPMENT	66	63	105	1104	1338	234

¹ There were an additional 16 units built at Westbourne that are outside of the MCAS Tustin Redevelopment Project Area.

² There were an additional 27 units built at Cantara that are outside of the MCAS Tustin Redevelopment Project Area.

APPENDIX B

PUBLIC INFRASTRUCTURE AND COMMUNITY FACILITIES

TUSTIN LEGACY FAIR SHARE ANALYSIS
PUBLIC INFRASTRUCTURE NEEDS LIST THROUGH BUILDOUT

Item No.	Description	Total w/ ECI Sep 08-Apr 07 & TLCP 8- 16-07
Roadway / Bridge Improvements		
1	Kensington Park (West Connector) - (Incorporated into Item 7, Reach 102)	-
2	Valencia (N. Valencia Loop) - Red Hill to Armstrong (Incorporated into Item 7, Reach 102)	-
3	Valencia (N. Valencia Loop) - Armstrong to Kensington Park (West Connector) - (Incorporated into Item 7, Reach 102)	-
4	Lansdowne (Incorporated into Item 7, Reach 102)	-
5	Edinger - 1400 Ft East of Redhill To East Connector (Non-Backbone)	-
6	Armstrong - Barranca to Warner	-
7	Armstrong - Valencia (N. Valencia Loop) to Warner (Included Item 1, 2, 3 & 4)	3,433,878
8	Bridge - Tustin Ranch - Valencia (N. Valencia Loop) to North end of Bridge including Ramp	20,825,693
9	Tustin Ranch Road - North end of Bridge to Walnut (Incorporated into Item 8, Reach 140)	23,582,062
9A	Tustin Ranch Road / Walnut (North East Corner Widening)	-
10	Severyns Road	1,150,142
11	Valencia (N. Valencia Loop) - Kensington Park to Tustin Ranch	731,412
12	East Connector - Valencia (N. Valencia Loop) to West end of Bridge	1,137,113
13	Bridge East Connector over Santa Ana Santa Fe Channel to Edinger	2,810,154
14	Moffett - North Loop to West end of Bridge	2,132,292
15	Bridge - Moffett over Peters Canyon Channel	2,323,341
16	Moffett East end of Bridge over Channel to Harvard and Bike Path	3,693,373
17	Sweet Shade (Marble Mountain) - (Irvine CFD Fair Share)	1,824,052
18	Valencia (N. Valencia Loop) - Tustin Ranch to Moffett	341,688
19	North Loop - Moffett to Jamboree Ramp (Incorporated into Item 18, Reach 114, 122)	5,795,629
20	Park (North Loop) - Warner (North) to Jamboree Ramp (Incorporated into Item 21, Reach 151)	-
21	Park (South Loop) - Warner (North) to Tustin Ranch	-
22	Warner - Redhill to Armstrong (Incorporated into Item 23, Reach 148)	15,868,098
23	Warner - Armstrong to Tustin Ranch	4,584,954
24	Warner - Tustin Ranch to Jamboree (Including Right of Way Acquisition)	5,687,480
25	Tustin Ranch - Warner (North) to Barranca	5,148,182
26	Warner - Jamboree to Harvard (Irvine CFD Fair Share)	6,538,706
27	Redhill / Dyer Intersection Improvements	704,663
28	Tustin Ranch - Valencia (N. Valencia Loop) to Warner North (Incorporated into Item 8, Reach 140)	-
29	South Loop - Tustin Ranch to Armstrong (4 Lanes)	-
30	Jamboree Ramp - Jamboree to Park	2,437,685
31	Barranca - Tustin Ranch Rd. to Redhill	522,586
32	Barranca - Jamboree to Tustin Ranch (Including Right of Way Acquisition)	2,595,704
33	SCE Barranca 220kv Transmission Pole Relocations (Deleted)	8,907,136
34	East Side Redhill - Barranca to Warner	-
35	East Side Redhill - Warner to Valencia Loop	2,070,525
35A	East Side Redhill - Valencia Loop to 1000' North (Incorporated into Item 35, Reach 162)	491,684
35B	SHIPPO Study	-
35C	Sound Mitigation - Warner from Harvard to Culver	133,500
TOTAL		1,494,002
Traffic Signals		
36	Edinger / Kensington Park (West Connector) (New) (Incorporated into item 7, Reach 102)	-
37	Edinger / East Connector (Upgrade)	-
38	Harvard / Warner (Upgrade) - (Irvine CFD Fairshare)	166,250
39	Jamboree / Barranca (Upgrade)	245,400
40	Barranca / Milliken (New)	288,238
41	Barranca / Tustin Ranch (New)	413,074
42	Barranca / Armstrong (Upgrade)	607,079
43	Redhill / Barranca (Upgrade) - (City of Irvine CIP Project)	166,250
44	Deleted	-
45	Redhill / Warner	-
46	Redhill / Valencia (New) (Incorporated into Item 7, Reach 102)	166,250
47	Valencia / Armstrong (New) (Incorporated into Item 7, Reach 102)	-
48	Warner / Armstrong (New)	-
49	Armstrong /South Loop (New)	332,500
50	Warner/Area E Street (New) - Note: TBD per TLCP Land Plan	332,500
51	Deleted	332,500
52	Tustin Ranch / Park (South Loop) (New)	-
53	Tustin Ranch / Warner South (New)	301,250
54	Tustin Ranch / Warner North (New)	465,500
54A	Tustin Ranch / Warner North (New)	265,100
55	Tustin Ranch / Moffett (New)	172,500
56	Tustin Ranch / Valencia (New)	332,500
57	Warner North / Park (North Loop)	332,500
58	Park (North Loop) / Jamboree SB Ramp (New)	301,250
59	Valencia / Kensington Park (West Connector)	241,000
60	Moffett / North Loop (New)	183,087
		299,250

61	Moffett / Harvard (Upgrade) (Incorporated into Item 16, Reach 139)	-
62	Tustin Ranch / Ramp (New)	332,500
63	Tustin Ranch / Walnut (Upgrade)	166,250
64	Edinger / Ramp (New)	465,500
65	Sweet Shade (Marble Mountain) / Harvard (Incorporated into Item 17, Reach 158)	-
65	Signal Interconnect System (Incorporated into Item 7, Reach 102)	-
65	East Connector / North Loop (New)	299,250
65	Signal Interconnect System (Note costs are incorporated into the various traffic signal budgets)	-
65	Signal Controller (Note costs are incorporated into the various traffic signal budgets)	-
65	Signal Controller (Note costs are incorporated into the various traffic signal budgets)	-
TOTAL		\$7,207,476
Traffic Mitigation - Santa Ana / Irvine Agreements		
66	Newport / Edinger - Figure 19 - Tustin ATMS Fee Payment	81,196
67	Redhill / Edinger - Figure 19 - Tustin ATMS Fee Payment	81,196
68	Tustin Ranch / Walnut - Figure 19 - Tustin Addition to Items 8 & 9 (Irvine Contribution)	195,000
69	Redhill / Main - Figure 22 - Irvine	1,787,861
70	Michelson / Von Karman - Figure 23 - Irvine	1,616,625
71	Jamboree / Alton - Figure 24 - Irvine	2,775,654
72	Harvard / Alton - Figure 25 - Irvine	594,051
73	Culver / Warner - Figure 26 - Irvine	594,051
74	Barranca / Von Karman Supplemental Improvements (Incorporated into Item 32, Reach 152)	139,505
75	Barranca / Jamboree Intersection Improvements (Potensial TSIA)	4,482,005
76	Redhill / Warner (Santa Ana)	2,165,220
77	Grand / Dyer - Santa Ana (Tustin Share = 29%)	1,659,061
78	Grand / Edinger - Santa Ana (Tustin Share = 56%)	7,623,919
TOTAL		23,795,343
Drainage Improvements		
79	Peters Canyon Channel from Railroad Track to Edinger	21,310,215
80	Peters Canyon Channel from Edinger to City Limit (Incorporated into Item 79, Reach 504)	-
81	Peters Canyon Channel from City Limit to Barranca (Irvine CFD Fair Share)	8,700,900
82	Backbone Storm Drain Overall (Valencia, Armstrong)	7,210,593
82	Backbone Storm Drain Overall (Including Interim Storm Drain Connection at Warner by RSCCD)	25,783,307
82	Backbone Storm Drain Overall (Barranca Channel, Tustin Ranch, Park & Warner)	26,488,109
83	Grading Modification to eliminate Pump Station	14,283,000
84	Deleted	-
85	Deleted	-
86	Barranca Channel Detention Basin / Sports Fields at Redhill / Warner	1,059,432
87	Barranca Channel - Redhill to south of Tustin Ranch (Not include Irvine CIP Project)	6,788,566
88	Santa Ana Santa Fe Channel Embankment (Incorporated into Item 13, Reach 204)	-
TOTAL		111,624,122
Water Quality/Mitigation Improvements		
89	Selenium Treatment Facility Phase 1 (Backbone Facility)	4,284,900
89	Selenium Treatment Facility Phase 2 (Backbone Facility)	2,856,600
90	Water Quality Treatment Systems Phase 1 (Backbone Facility)	2,285,280
90	Water Quality Treatment Systems Phase 2 (Backbone Facility)	571,320
91	Resources Agency Mitigation Improvements - Peters Canyon / Railroad to Edinger	370,033
92	Resources Agency Mitigation Improvements - Peters Canyon / Edinger to City Limit	4,627,222
93	Resource Agency Mitigation Improvements - Peters Canyon / City Limit to Barranca	-
94	Resources Agency Mitigation Improvements - Master Developer	1,194,342
93A	Resource Agency Mitigation Improvements - Peters Canyon / City Limit to Barranca	-
TOTAL		16,189,697
Dry Utilities		
Electric		
95	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
96	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
97	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
98	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-

	Gas	
99	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
100	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
101	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
102	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
	Telephone	
103	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
104	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
105	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
106	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
	Cable TV	
107	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
108	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
109	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
110	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
	Telecommunications	
111	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
112	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
113	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
114	Backbone Phase 1 Backbone + Contractor Charges - Refunds	-
	Backbone Phase 1 Backbone + Contractor Charges Total (All Utilities)	2,602,080
	Backbone Phase 1 Backbone + Contractor Charges Total (All Utilities)	5,653,343
	Utility Backbone All Phases (All Utilities)	11,284,280
	TOTAL	19,539,703
	Parks and Community Facilities	
115	Neighborhood Park; Master Developer Area G Park 01	-
116	Neighborhood Park; Master Developer Area G Park 02	4,408,203
117	Community Park; Master Developer Area (46 Acres)	18,211,264
118	Aquatic Center in Master Developer Community Park	6,237,607
119	Tennis Center in Master Developer Community Park	3,585,603
120	Tustin Legacy Park; City Area (24.5 Acres)	5,738,889
121	Linear Park; Master Developer Area G including waterway, ponds	-
122	Linear Park; Master Developer Area D including waterway, ponds	6,989,666
123	Linear Park; Master Developer Area E including waterway, ponds	-
124	Other Public-owned Open Space Master Developer Area G	-
125	Other Public-owned Open Space Master Developer Area D	-
126	Other Public-owned Open Space Master Developer Area E	3,742,009
127	Pedestrian Bridge - Warner / Linear Park	11,818,152
128	Pedestrian Bridge - Armstrong / Linear Park	4,830,000
129	Bridge Tustin Ranch over Linear Park Pedestrian Crossing	6,210,000
130	Legacy Arch Structures in Linear Park	-
131	O.C.F.A. Fire Station - Edinger / Kensington Park (2-Bay 8000 SF)	5,488,855
132	City of Tustin Library; Tustin Civic Center	7,953,900
133	City of Irvine Public Park (Marble Mountain)	2,800,000
133	Community Entry Signage	1,325,287
120A	Tustin Legacy Park; City Area (24.5 Acres)	2,321,080
120B	Tustin Legacy Park; City Area (24.5 Acres)	4,998,480
120C	Tustin Legacy Park; City Area (24.5 Acres) - Contingency	288,044
132A	City of Tustin Library; Tustin Civic Center	1,000,000
132B	City of Tustin Library; Tustin Civic Center	1,082,000
132B	City of Tustin Library; Tustin Civic Center	2,854,000
133A	Community Entry Signage - Valencia / Redhill - Sign Only	225,000
81A	Peters Canyon / Trail Improvements	248,858
	TOTAL	102,156,874
	GRAND TOTALS	407,478,930

Notes:

- Items in blue were provided by City Staff
- Items No. 1, 2, 3, 4, 7, 36, 46 & 47 are based on actual contracted construction costs.
- Items No. 20, 21, 24, 25, 30, 32, 33, 39, 40, 41, 52, 54, 57 & 58 are based upon actual construction costs as identified in Exhibit A of Infrastructure Construction and Purchase Agreement with Vestar/Kimco, Tustin, L.P.
- MCAS Tustin Settlement Agreements with Cities of Irvine, Santa Ana and actual ENR Cost Index.
- Items No. 77 & 78 are based upon March 2007 estimates from City of Santa Ana pursuant to Settlement Agreements
- Item No. 133 A based upon actual contracted construction costs.
- Items highlighted in yellow are the latest changes.