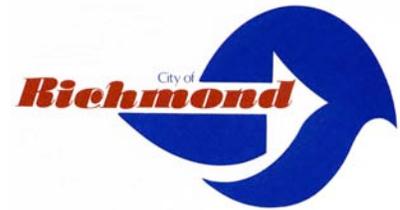


FINAL

Redevelopment Plan Amendment Preliminary Report

Prepared for:



Richmond Community
Redevelopment Agency

August 2009

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Executive Summary of the Preliminary Report on the Redevelopment Plan Amendment

The Executive Summary provides a synopsis of the Preliminary Report for the proposed amendments to the Redevelopment Plans for the constituent 1-A Eastshore Park, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour, and 12-A North Richmond Project Areas (Constituent Project Areas) that together comprise the Richmond Merged Redevelopment Project Area (Merged Project Area).¹ The interrelated set of proposed redevelopment plan amendments are collectively called the Plan Amendment.

This Preliminary Report on the Plan Amendment describes the reasons for amending the redevelopment plans for the nine Constituent Project Areas comprising the Merged Project Area, documents adverse conditions, and presents the Redevelopment Program of the Richmond Community Redevelopment Agency (Agency). It provides an assessment of financing methods and economic feasibility of the Redevelopment Program and demonstrates why redevelopment is necessary to eliminate blight in the Merged Project Area. The Preliminary Report also documents the Agency's adherence to the legal requirements for the Plan Amendment.

The Agency is preparing the Plan Amendment for consideration by the Richmond Community Redevelopment Agency Board and the Richmond City Council. If adopted, the Plan Amendment would:

- Increase the limit on the amount of tax increment revenue that the Agency may claim from the portions of the Merged Project Area subject to the current limit of \$521.4 million to a revised limit of \$1.06 billion.
- Increase the limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time from the current 2005 Added Area limit of \$150 million and the current limit of \$250 million on the remaining Merged Project Area to a revised combined limit of \$1.61 billion.
- Extend the time limit for eminent domain authority over non-residential properties for up to 12 years but no longer than the plan effectiveness limit for the Constituent Project Areas within the Merged Project Area that contain significant blight that cannot be eliminated without the use of eminent domain.
- Amend, restate, and consolidate the redevelopment plans for the nine Constituent Project Areas within the Merged Project Area into a single “consolidated redevelopment plan for the Richmond Merged Redevelopment Project Area (Merged Redevelopment Plan).” This Merged Redevelopment Plan would incorporate the applicable provisions from each of the current Constituent Redevelopment Plans.
- Consolidate the goals and objectives for each of the Constituent Redevelopment Plans that guide the Redevelopment Program's projects and activities that may be undertaken by the Agency in the Merged Project Area.

¹ The term “Merged,” used in “Merged Project Area” is solely used to describe the fiscal merger of the Constituent Project Areas in 1999. The fiscal merger allows the sharing of tax increment revenues from one Constituent Project Area with other Constituent Project Areas. Two project areas, 1-B Pilot and 4-A Terrace, were not fiscally merged with the nine Constituent Project Areas in 1999.

- Update various text provisions to conform to the current requirements of the CRL.

The Plan Amendment will further several City goals and objectives in Merged Project Area including stimulating economic development, creating jobs, addressing environmental problems, providing open space, fostering cultural development, improving the physical environment and transportation systems, and creating new affordable and mixed-income housing.

The Merged Project Area consists of nine Constituent Project Areas originally adopted between 1954 and 1975. Since their plan adoptions, each of the nine Constituent Project Areas has been amended at various times. Among these redevelopment plan amendments was an amendment in 1999 that fiscally merged the nine Constituent Project Areas to enable the pooling of tax increment revenue among them (1999 Plan Amendment and Merger). Since the 1999 Plan Amendment and Merger, the Agency has utilized the sharing of tax increment revenues among the Constituent Project Areas to more effectively eliminate blighting conditions throughout the Merged Project Area. The Plan Amendment would allow the Agency to continue the redevelopment activities within the Redevelopment Program and address the remaining blighting conditions in the Merged Project Area.

Physical and Economic Conditions in the Merged Project Area

The Merged Project Area suffers from adverse physical and economic blighting conditions that need to be addressed if the area is to realize its full economic potential. Blighting conditions found in the Merged Project Area include seven of the nine CRL-defined categories of physical and economic blight:

- Unsafe and unhealthy buildings
- Conditions hindering the viable use of buildings or lots
- Depreciated or stagnant property values
- Impaired property values due to hazardous wastes
- Economic indicators of distressed buildings
- Excess problem businesses
- High crime rate

While not considered a blighting condition on its own, inadequate public improvements are a contributing factor to blight. Inadequate public improvements exacerbate blighting conditions in the Merged Project Area. Poor street conditions, impaired circulation and accessibility, inadequate sewage and drainage infrastructure, and inadequate parks and open space detract from the physical and economic vitality of the Merged Project Area.

Redevelopment Program and Blight Alleviation

The Agency's Redevelopment Program is designed to alleviate blighting conditions in the Merged Project Area and to meet the Agency's affordable housing obligations. The Agency's Redevelopment Program is organized broadly into three categories that reflect the division of tax increment revenues into funds that can be used for any redevelopment purpose (Non-Housing Redevelopment Program) and those specifically related to the Agency's affordable housing endeavors (Affordable Housing Program). Redevelopment programs related to economic development include planning, property acquisition, site preparation, and toxic remediation;

commercial and industrial attraction, retention and expansion; commercial rehabilitation; and business development. Community enhancement programs include public improvements, beautification programs, and cultural arts and recreational improvements. The Agency's affordable housing program promotes the development of a wide variety of affordable housing types in the community in order to enhance the vitality of the area and provide much needed housing for the City.

Tax Increment Financing and Other Funding Sources

Tax increment financing will be the critical funding source the Agency will use to implement the Redevelopment Program. Tax increment revenues will provide most of the resources for the Redevelopment Program, leverage private and other public funds to undertake improvement projects and stimulate private investment in the Merged Project Area. The Agency's investments in economic development, community enhancements and affordable housing are critical catalysts needed to revitalize the Merged Project Area. Tax increment revenues generated from growth in assessed value in the Merged Project Area will be used for commercial and industrial development, remediation of contaminated sites, beautification, recreational and cultural arts projects, and public infrastructure and transit improvements and other activities.

Other funding for the Plan Amendment may come from federal, state and local sources, such as the Community Development Block Grants, Neighborhood Stabilization Program, Transportation for Livable Communities (TLC) program, Brownfield Economic Development Initiative and other Brownfields Loan Program funds, community facilities districts and Agency bonds. Due to the current economic downturn, other funding sources that may have been available in the past may not be available in the near future.

Need for Tax Increment Financing

The remaining blighting conditions in the Merged Project Area are substantial, and thus, a significant amount of capital investment is needed to alleviate them. Without redevelopment assistance, neither the private sector nor public sector working alone, nor the private and public sectors working together, can financially support the substantial costs of the Redevelopment Program. Tax increment financing is needed to provide funding for projects and activities that are critical to the elimination of blight and the revitalization of the Merged Project Area.

Pass-through Payments to Affected Taxing Entities

The California Community Redevelopment Law (CRL) requires each taxing entity deriving property tax revenue from within the Merged Project Area to receive pass-through payments, annual payments designed to mitigate any financial burden on taxing entities. The CRL specifies formulas for the calculation of pass-through payments. The Plan Amendment would not affect the pass-through payments the taxing entities already receive from the Agency. Each entity will continue to receive a payment from tax increment generated by the Merged Project Area, in proportion to its property tax levy within the Merged Project Area.

Affordable Housing and Housing Set-Aside Funds

The CRL requires 20 percent of all tax increment revenue collected by a redevelopment agency to be used for increasing and/or improving a community's supply of affordable housing. Over the term of the Plan Amendment, the Agency will use 20 percent of the tax increment revenue available for the Redevelopment Program for affordable housing. The Agency will focus these funds on affordable housing development in the Merged Project Area to assist in the development of a range of high quality, attractive and affordable housing developments serving a diverse population.

Tax Increment Projections

A portion of the Merged Project Area is subject to a cap on the collection of tax increment revenues (Cap Area) while the remainder of the Merged Project Area is not (Non-Cap Area). The Non-Cap Area includes portions of the Merged Project Area adopted in 1994 or later.² The Cap Area and Non-Cap Area of the Merged Project Area are projected to generate approximately \$626.8 million and \$5.5 billion in tax increment revenues in nominal dollars over the time period for tax increment collection, respectively. After reductions for county property tax administration fees, the Housing Set-Aide Fund, and pass-through payments, net tax increment available for the Non-Housing Program is estimated at \$368.2 million (\$221.3 million in constant 2010 dollars) for the Cap Area and \$2.3 billion (\$580.8 million in constant 2010 dollars) for the Non-Cap Area.

Financial Feasibility

The Agency's share of the Redevelopment Program costs, as well as Agency administrative costs, are estimated to be about \$942.5 million in constant 2010 dollars. Although the Redevelopment Program costs and available revenues will vary over time from those set forth in the estimates and projections presented in this Report, it is reasonable to conclude that the Redevelopment Program is financially feasible over the remaining life of the Redevelopment Plans. The Agency will prepare an implementation plan every five years to ensure that the Redevelopment Program is financially feasible.

² Specifically, Non-Cap Areas include the area added to 6-A Harbor Gate in 1995, the areas added to 1-A Eastshore, 6-A Harbor Gate, 8-A Hensley 10-A Downtown, 10-B Nevin (1999 Added Area), and 11-A Harbour in 1999 and the area added to 10-B Nevin in 2005.

I. Introduction

A. Overview of the Preliminary Report

The Richmond Community Redevelopment Agency (Agency) is preparing an interrelated set of proposed redevelopment plan amendments (collectively, the “Plan Amendment”) to the constituent redevelopment plans (Constituent Redevelopment Plans) for the 1-A Eastshore Park, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour, and 12-A North Richmond Project Areas (Constituent Project Areas) that together comprise the Richmond Merged Redevelopment Project Area (Merged Project Area).¹ The Constituent Redevelopment Plans were each amended in 1999 to fiscally merge the Constituent Project Areas. In 2005, 10-B Nevin was amended to add territory into the Merged Project Area (2005 Added Area). The Agency is preparing the current Plan Amendment for consideration by the City Council of the City of Richmond (City) during late 2009.

This document serves as the Preliminary Report for the Plan Amendment, as required by Section 33344.5 of the California Community Redevelopment Law (CRL), a part of the California Health and Safety Code.² The Preliminary Report is the first major background document in the process to consider the proposed Plan Amendment. The report is a public document designed to provide background information to the Agency, the taxing entities affected by the proposed Plan Amendment and the Richmond community.

1. Chapter Organization

This chapter is organized into the following sections:

- A. Overview of the Preliminary Report
- B. Summary of the Plan Amendment
- C. Merged Project Area Background
- D. Reasons for the Plan Amendment
- E. Conformity with the General Plan
- F. Preliminary Report Requirements
- G. Overview of the Redevelopment Plan Amendment Process
- H. Public Agency Actions to Date and Anticipated

¹ The term “Merged,” used in “Merged Project Area” is solely used to describe the fiscal merger of the Constituent Project Areas in 1999. The fiscal merger allows the sharing of tax increment revenues from one constituent project area with other constituent. Two other project areas, 1-B Pilot and 4-A Terrace, were not fiscally merged with the nine Constituent Project Areas in 1999.

² Health & Safety Code Section 33000 et seq. All Code Section references used in the Preliminary Report refer to the Health & Safety Code unless otherwise specified.

2. Report Organization

The Preliminary Report describes the reasons for the Plan Amendment, documents blighting conditions remaining in the Merged Project Area, and summarizes the projects and activities of the Redevelopment Program for the Merged Project Area (Redevelopment Program).³ The Preliminary Report also provides a preliminary assessment of financing methods and financial feasibility of the Plan Amendment.

The Preliminary Report is organized into the following chapters:

- Chapter I presents a general overview and background of the proposed Plan Amendment, the Merged Project Area, including the Constituent Project Areas, summarizes the reasons for the Plan Amendment, describes the goals of the Plan Amendment, outlines the CRL requirements, and presents the process for the Plan Amendment.
- Chapter II documents adverse physical and economic conditions remaining in the Merged Project Area.
- Chapter III presents the Redevelopment Program and the goals and objectives for the Merged Project Area. It also describes how the Redevelopment Program will alleviate the adverse conditions described in Chapter II and summarizes the anticipated cost of the Redevelopment Program.
- Chapter IV analyzes the financial feasibility of the Plan Amendment. It describes the funding resources available to the Agency to accomplish the Redevelopment Program, details tax increment financing, and presents projections of the tax increment revenue that will be generated in Merged Project Area. It also demonstrates the need for the proposed increased tax increment and bond indebtedness financing limits contained in the Plan Amendment, in order to provide sufficient funding for the Redevelopment Program described in Chapter III and alleviate the remaining adverse physical and economic conditions of the Merged Project Area documented in Chapter II.

The appendices include supporting documentation and background information on the Plan Amendment. Appendix A provides a list of sources used to prepare the Preliminary Report and definitions of key words and terms used throughout the report. A copy of the Statement of Plan Preparation from the Agency is included in Appendix B. Appendix C contains photographic documentation of the adverse physical and economic conditions presented in Chapter II. Appendix D presents crime district maps. Appendix E summarizes the primary, secondary and complementary funding sources that may be available to finance the Redevelopment Program. Appendix F includes the tax increment revenue projections.

³ In 1999, the Agency amended the Constituent Redevelopment Plans to, among other items, fiscally merge the nine Constituent Project Areas to enable the pooling of tax increment revenue among them and have a combined Redevelopment Program over the Merged Project Area.

B. Summary of the Plan Amendment

If adopted, the Plan Amendment would:

- Increase the limit on the amount of tax increment revenue that the Agency may claim from the portions of the Merged Project Area subject to the current limit of \$521.4 million to a proposed revised limit of \$1.06 billion;
- Increase the limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time from the current 2005 Added Area limit of \$150 million and the current limit of \$250 million on the remaining Merged Project Area to a revised combined limit of \$1.61 billion;
- Extend the time limit for eminent domain authority over non-residential properties for up to 12 years but no longer than the plan effectiveness limit for the Constituent Project Areas within the Merged Project Area that contain significant blight that cannot be eliminated without the use of eminent domain.
- Amend, restate, and consolidate the redevelopment plans for the nine Constituent Project Areas within the Merged Project Area into a single consolidated redevelopment plan for the Richmond Merged Redevelopment Project Area (Merged Redevelopment Plan). This Merged Redevelopment Plan would incorporate the applicable provisions from each of the current Constituent Redevelopment Plans.
- Consolidate the goals and objectives for each of the Constituent Redevelopment Plans that guide the Redevelopment Program's projects and activities that may be undertaken by the Agency in the Merged Project Area; and
- Update various text provisions to conform to the current requirements of the CRL.

Each of the Constituent Project Areas will continue to be governed by its own time and fiscal limits with the exception of the combined fiscal limits for tax increment collection and outstanding indebtedness.⁴ However, the Redevelopment Program for the Merged Project Area is based on a single set of overarching redevelopment goals and objectives. The fundamental purpose of the Plan Amendment is to provide the Agency with the necessary financial and legal resources and tools to complete the needed program of redevelopment in the Merged Project Area in order to:

- Eliminate the remaining significant blight identified in various portions of the Merged Project Area;
- Facilitate the economic development of the Merged Project Area including the provision of additional job opportunities for Richmond residents; and
- Provide additional quality affordable housing for residents of the Merged Project Area and the entire Richmond community.

This Preliminary Report is a background document in the process to consider the proposed Plan Amendment and is therefore broad in scope. The redevelopment projects and activities, and their

⁴ As discussed in Chapter I, the portions of the Constituent Project Areas that were adopted prior to AB 1290 in 1994 are subject to the existing combined tax increment cap of \$521.4 million. The Constituent Project Areas fiscally merged in 1999 have a bonded indebtedness cap of \$250 million and the 2005 Added Area has a bonded indebtedness limit of \$150 million.

associated costs, presented in Chapters 3 and 4 serve to illustrate the range of projects the Agency may undertake through this Plan Amendment. However, the Five Year Implementation Plan and annual Agency budgets will continue to serve as the principal guides for the Agency's ongoing specific activities and programs.

C. Merged Project Area Background

The Merged Project Area consists of nine Constituent Project Areas originally adopted between 1954 and 1975. Since the adoption of the Constituent Project Areas, the Agency has undertaken various plan amendments including:

- 1980 amendment to add territory in 8-A Hensley
- 1995 amendment to add territory in 6-A Harbor Gate
- 1999 amendment to, among other items, expand the territory in the 1-A Eastshore, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, and 11-A Harbour Constituent Project Areas and fiscally merge the nine Constituent Project Areas to enable the pooling of tax increment revenue among them (1999 Plan Amendment and Merger).
- 2005 amendment to add territory in 10-B Nevin (2005 Plan Amendment).

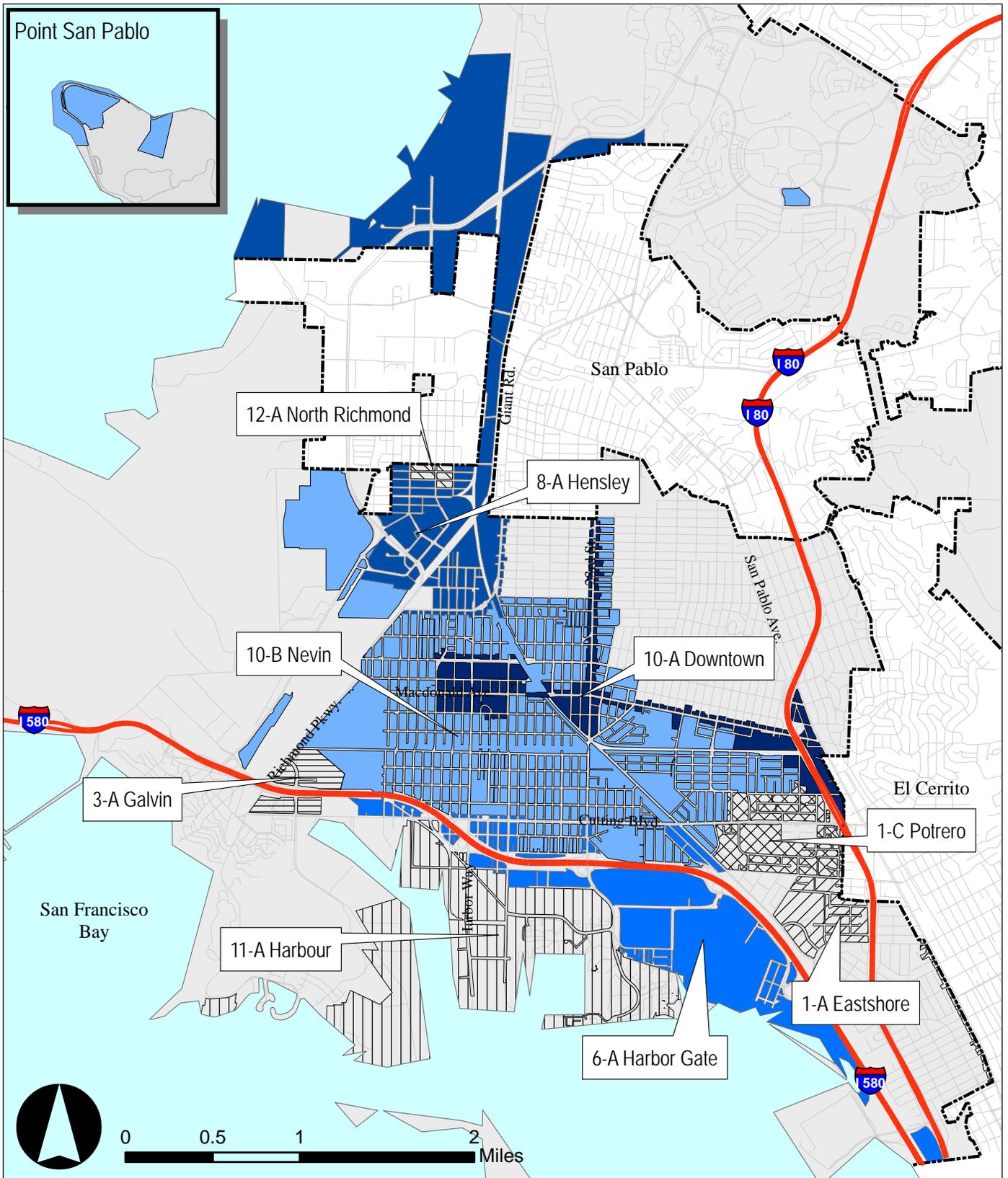
Figure I-1 shows the location of the Merged Project Area and the nine Constituent Project Areas. As the Constituent Project Areas were fiscally merged in 1999, this report refers to the Constituent Project Areas collectively as "Merged Project Area." The remainder of this section describes the history of each Constituent Project Area and the Merged Project Area in more detail.

1. 1-A Eastshore Park

The 1-A Eastshore Park Project Area (1-A Eastshore) contains approximately 137 acres and is located in the southeastern corner of the City, between the I-80 and I-580 freeways.

1-A Eastshore is bounded by Potrero Avenue to the north, South 55th Street to the east, Bayview Avenue to the south and Carlson Boulevard and South 47th Street to the west. The Project Area consists primarily of single-family and multi-family residential land uses, as well as Booker T. Anderson Jr. Park. At the time of plan adoption in 1957, the adverse conditions documented included faulty planning, inadequate streets, open spaces and utilities, and lots of irregular form and inadequate size. In 1999, 1-A Eastshore was amended to add approximately 14 acres along the western side of the San Pablo Avenue from Alameda Avenue to San Jose Avenue. At the time of the 1999 Plan Amendment and Merger, blighting conditions in the area included deteriorated and dilapidated buildings with substandard or obsolete design.

Figure I-1
Location of Constituent Project Areas within the Merged Project Area



This map was prepared for illustrative purposes only and should not be used to ascertain precise project area boundaries.

- | | | | | | | | |
|---|---------------|---|-----------------|---|---------------------|---|------------------|
|  | 1-A Eastshore |  | 6-A Harbor Gate |  | 10-B Nevin |  | City of Richmond |
|  | 1-C Potrero |  | 8-A Hensley |  | 11-A Harbour | | |
|  | 3-A Galvin |  | 10-A Downtown |  | 12-A North Richmond | | |

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2. 1-C Potrero

The 1-C Potrero Project Area (1-C Potrero) contains approximately 150 acres and is located directly north of 1-A Eastshore in the southeastern corner of the City. 1-C Potrero is bounded by Wall Avenue to the north, South 52nd Street to the east, Potrero Avenue to the south and Carlson Boulevard, South 37th Street and South 39th Street to the west. The area contains a variety of single-family and multi-family residential uses, as well as John F. Kennedy Park, Plaza Park, and Kennedy High School. At the time of plan adoption in 1960, the area was characterized by inadequate streets, lack of public parks, improper subdivision of lots and poor building conditions.

3. 3-A Galvin

The 95 acre 3-A Galvin Project Area (3-A Galvin) is located in the southwestern section of the City. The 3-A Galvin Project Area is bounded by West Ohio Avenue to the north, the Burlington Northern Santa Fe railroad right-of-way to the east, Cutting Avenue to the south and South Garrard Boulevard to the west. Interstate 580 and Canal Boulevard bisect the area from west to east and north to south, respectively. At the time of plan adoption in 1955, defective design and construction, faulty interior arrangement and exterior spacing, as well as overcrowding and inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities characterized the area. Since 3-A Galvin was adopted, the City's land use policies and redevelopment activities have transformed the area, and the area now contains a variety of commercial, industrial and office uses, including a number of self-storage facilities.

4. 6-A Harbor Gate

The 6-A Harbor Gate Project Area (6-A Harbor Gate) contains approximately 750 acres and is located in the central and southeastern sections of the City. At the time of plan adoption in 1954, 6-A Harbor Gate included 118 acres bounded by Interstate 580 to the north, Regatta Boulevard to the east and south and Marina Bay Parkway to the west. Conditions in the original area included inadequate infrastructure. In 1995, the Harbor Gate Project Area was amended to add 616 acres generally located along Cutting Boulevard and Interstate 580, as well as between Interstate 580 and the Point Isabel Regional Shoreline in the southeastern corner of the City (See Figure I-1 for a detailed map of 6-A Harbor Gate). At the time of plan amendment, conditions in the area included deteriorated and dilapidated buildings, inadequate circulation, lots of irregular form and inadequate size, presence of hazardous waste, high vacancy rates and depreciated or stagnant property values.

In 1999, as part of the 1999 Plan Amendment and Merger, 6-A Harbor Gate was amended a second time to add 16 acres located between Central Avenue to the north, Jacuzzi Avenue to the east, the City boundary to the south and Interstate 580 to the west. At the time of the 1999 Plan Amendment and Merger, conditions in this area included buildings of substandard or obsolete design, lack of infrastructure, inadequate circulation and excessive vacant lots. Currently, 6-A Harbor Gate contains a mix of commercial, industrial, office and retail uses, as well as some single-family residential uses.

5. 8-A Hensley

At approximately 1,002 acres, the 8-A Hensley Project Area (8-A Hensley) is located in the northwestern section of the City and contains a mix of commercial, industrial, retail, as well as a significant amount of single-family and multi-family residential uses. When adopted in 1960, 8-A Hensley included approximately 9 acres generally located along Hensley Street, 7th Street and the Richmond Parkway between the Santa Fe railroad right-of-way and Castro Street. Conditions at the time of plan adoption included deteriorated and dilapidated buildings, inadequate traffic circulation, residential overcrowding and inadequate infrastructure.

In 1980, the 8-A Hensley was amended to add 24 acres. In 1999, a second plan amendment added another 887 acres surrounding the area from the original plan adoption. The area added in 1999 includes the northern tip of the Iron Triangle and is generally bordered by Chesley Avenue to the north, 13th Street to the east, Pennsylvania Avenue to the south and York Street to the west. It also includes land north of Chesley Avenue and west of Grant Road. At the time of the 1999 plan amendment, conditions in these areas included deteriorated and dilapidated buildings, inadequate public facilities, buildings with defective or substandard design, presence of hazardous materials and depreciated property values.

6. 10-A Downtown

The 10-A Downtown Project Area (10-A Downtown) contains approximately 281 acres and is located in central Richmond. At the time of plan adoption in 1966, 10-A Downtown included 107 acres generally bounded by Barrett Avenue to the north, the BART tracks to the east, Bissell Avenue to the south and 6th Street to the west. Conditions in the area at the time of plan adoption included deteriorated and dilapidated buildings and inadequate public facilities.

During the 1999 Plan Amendment and Merger, 10-A Downtown was amended to add 174 acres east of the originally adopted area. The area added in 1999 includes land generally located along Macdonald Avenue between 19th Avenue and San Pablo Avenue, along 23rd Street between Carlson Boulevard and Costa Avenue, and between Interstate 580 and San Pablo Avenue from Wall Avenue to Barrett Avenue (See Figure I-1 for a detailed map of 10-A Downtown). At the time of plan amendment, conditions in these areas included deteriorated and dilapidated buildings, inadequate public facilities, buildings with defective or substandard design, high crime rate, lack of neighborhood serving businesses and high vacancy rates. Currently, 10-A Downtown contains a mix of commercial, industrial, office and retail uses, as well as some single-family and multi family residential uses.

7. 10-B Nevin

At approximately 1,810 acres located mostly in central Richmond, the 10-B Nevin Project Area (10-B Nevin) is the largest project area within the Merged Project Area. At the time of plan adoption in 1972, 10-B Nevin included 17 acres located between Barrett Avenue to the north, 6th Street to the east, Macdonald Avenue to the south and 4th Street to the west. Conditions in the originally adopted area included excessive vacant land, deteriorated and dilapidated buildings, conflicting land uses, inadequate public facilities and factors preventing the economically viable use or capacity of building or lots.

In 1999, as part of the 1999 Plan Amendment and Merger, 10-B Nevin was amended to add 10 acres along Macdonald Avenue between 1st Street and 4th Street east of the area included in the plan adoption. At the time of the 1999 Plan Amendment and Merger, conditions in 10-B Nevin included deteriorated and dilapidated buildings, inadequate utilities and high vacancy rates.

In 2005, the 10-B Nevin was amended to add 1,783 acres predominantly located in the residential sections of central Richmond. The area added also includes West Parkway, Hilltop and Point San Pablo. Adverse conditions documented in the 2005 Plan Amendment included deteriorated and dilapidated buildings, incompatible uses, presence of hazardous waste, depreciated or stagnant property values, residential overcrowding, low lease rates and a high crime rate. Currently, 10-B Nevin contains primarily single-family and multi-family residential uses, as well as a mix of commercial, industrial and retail uses along Macdonald Avenue.

8. 11-A Harbour

The 11-A Harbour Project Area (11-A Harbour) spans approximately 1,105 acres in the southern waterfront of the City and includes portions of the Port of Richmond, the Marina Bay residential area and commercial space. At the time of plan adoption in 1975, 11-A Harbour included 964 acres generally located south of Interstate 580, east of South 4th Street and around Marina Bay Parkway. Conditions documented at the time of the plan adoption included deteriorated and dilapidated buildings, inadequate public facilities and defective design. In 1999, 11-A Harbour was amended to include portions of the Port of Richmond along Canal Boulevard and Terminal One. At the time of the 1999 plan amendment, adverse conditions documented included deteriorated and dilapidated buildings, high vacancy rates, the presence of hazardous materials and buildings with obsolete or substandard design. 11-A Harbour is now a mix of commercial, heavy industrial, office, retail, and single-family and multi-family residential uses.

9. 12-A North Richmond

The 12-A North Richmond Project Area (12-A North Richmond) contains approximately 19 acres located in the northwestern section of the City, bounded by Chesley Avenue to the north, 6th Street to the east, Duboce Avenue and Alamo Avenue to the south and Filbert Street to the west. 12-A North Richmond consists primarily of single-family residential uses, as well as Shields Reid Park. At the time of plan adoption in 1972, deteriorated and dilapidated buildings, conflicting land uses, inadequate public facilities and factors hindering the economically viable use or capacity of buildings or lots characterized the area.

10. Merged Project Area

In 1999, the Agency fiscally merged the nine Constituent Project Areas to enable the sharing of tax increment revenue among the Constituent Project Areas, as part of the 1999 Plan Amendment and Merger.⁵ The fiscal merger provided the Agency with the flexibility to combine and focus revenues from any or all of the Constituent Project Areas on the redevelopment projects and activities for a particular Project Area and to adjust that focus over time so that the community's overall redevelopment needs could be addressed in a more efficient and effective manner. Prior to

⁵ The 1999 Plan Amendment and Merger was achieved through amendments to the redevelopment plans of each of the nine Constituent Project Areas.

the fiscal merger, 11-A Harbour and 6-A Harbor Gate had been generating significant amounts of tax increment while the other Constituent Project Areas had been generating relatively little tax increment. As a result, the Agency had been able to make substantial progress in eliminating blighting conditions in 11-A Harbour and 6-A Harbor Gate while the other Constituent Project Areas required additional resources. Since the 1999 Plan Amendment and Merger, the Agency has been able to share tax increment revenue among all the Constituent Project Areas, including the area added in the 2005 Plan Amendment. The flexibility to share tax increment revenues allows the Agency to more effectively eliminate blighting conditions throughout the Merged Project Area. Figure I-2 shows the location of the Merged Project Area.

11. Merged Redevelopment Plan

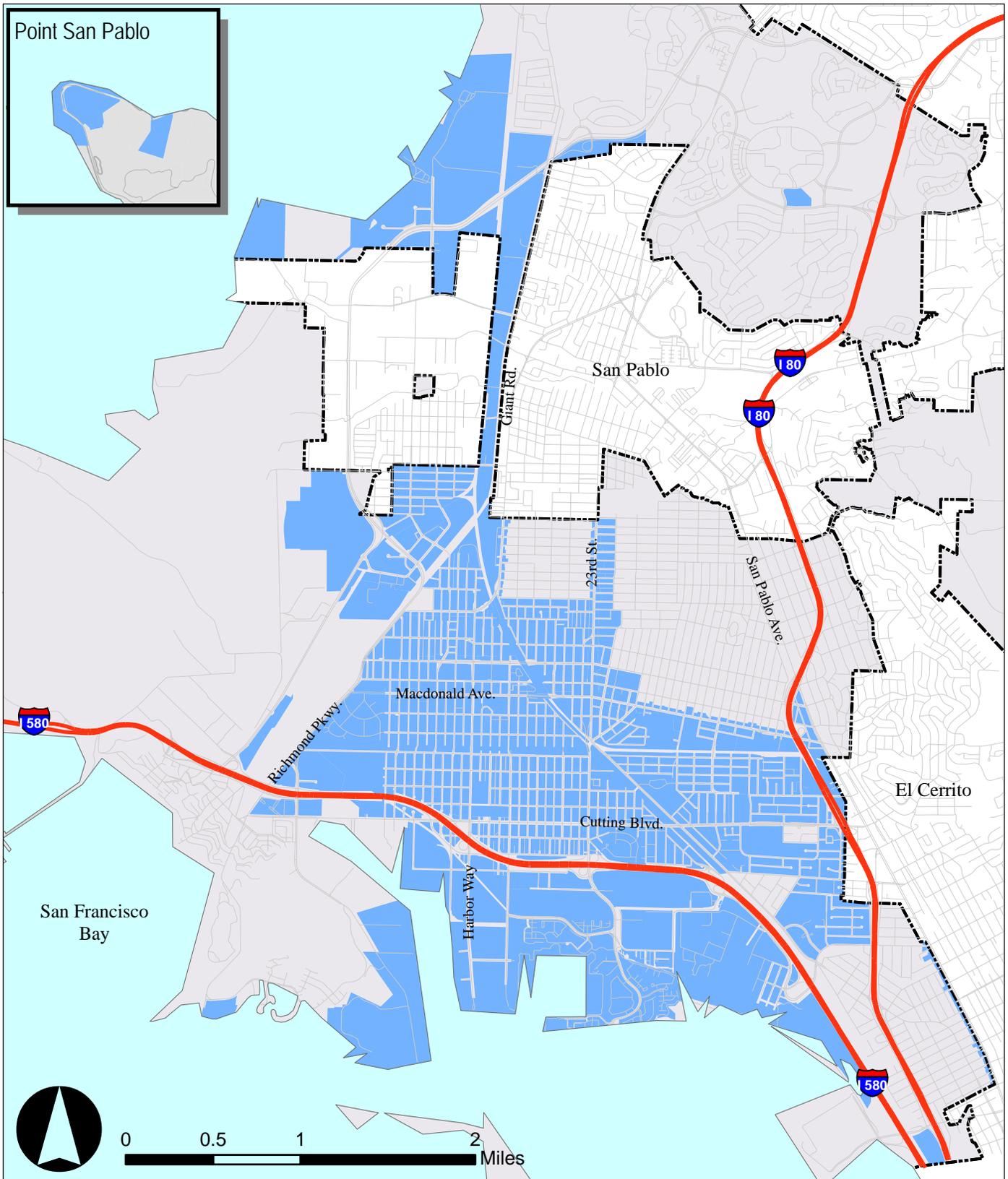
Under the current proposed Plan Amendment, the nine Constituent Redevelopment Plans would be consolidated into a single Merged Redevelopment Plan for the Merged Project Area. Through the Merged Redevelopment Plan, the Agency will continue to implement coordinated redevelopment activities for the 1-A Eastshore, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour, and 12-A North Richmond Project Areas to address each Constituent Project Area's particular needs while strengthening the overall Merged Project Area.

12. Time and Fiscal Limits

The Plan Amendment would increase the limit on tax increment collection from the portions of Merged Project Area subject to the tax increment collection cap, combine and increase the limit on outstanding bonded indebtedness for the Merged Project Area, and extend the time limit for eminent domain authority over non-residential properties for up to 12 years but no longer than the plan effectiveness limit for each of the Constituent Project Areas. All other time and fiscal limits for the Constituent Project Areas of the Merged Project Area would remain unchanged. Table I-1 summarizes the existing and proposed time and fiscal limits.

This Preliminary Report uses the terms Cap Area to describe the areas within the Merged Project Area subject to the tax increment cap, as shown in Table I-1. The Cap Area includes portions of the Merged Project Area adopted before 1994, including all the original areas of 1-A Eastshore, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour and 12-A North Richmond, as well as the area added to 8-A Hensley in 1980. The Non-Cap Area consists of the portions of the Merged Project Area adopted 1994 or later and therefore not subject to the tax increment cap. The location of the Cap and Non-Cap Areas are shown in Figure I-3.

Figure I-2
Location of Merged Project Area



This map was prepared for illustrative purposes only and should not be used to ascertain precise project area boundaries.

- Merged Project Area
- City of Richmond

Seifel
CONSULTING INC.

**Table I-1
Summary of Existing and Proposed Time and Fiscal Limits**

Merged Project Area	Acres	Date Adopted	Time Limit for Plan ^{a,b}	Time Limit for Tax Increment Receipt ^b	Last Date to Incur Debt ^c	Tax Increment Cap		Incurring Debt Limit		Eminent Domain ^d	
						Existing	Proposed	Existing	Proposed	Existing Time Limit	Proposed Time Limit
1-A Eastshore	123	8/26/1957	1/1/2012	1/1/2022	No Limit					7/13/2011	1/1/2012
1-C Potrero	150	4/4/1960	1/1/2012	1/1/2022	No Limit					7/13/2011	1/1/2012
3-A Galvin	95	2/28/1955	1/1/2012	1/1/2022	No Limit					7/13/2011	7/13/2011
6-A Harbor Gate	118	11/8/1954	1/1/2012	1/1/2022	No Limit					7/13/2011	1/1/2012
8-A Hensley	91	5/29/1960	1/1/2012	1/1/2022	No Limit					7/13/2011	1/1/2012
8-A 1980 Area	24	3/31/1980	3/31/2023	3/31/2033	No Limit		Combined TI Cap of \$521.4M			7/13/2011	3/31/2023
10-A Downtown	107	5/23/1966	1/1/2012	1/1/2022	No Limit					7/13/2011	1/1/2012
10-B Nevin	17	9/18/1972	9/18/2015	9/18/2025	No Limit			Combined Limit of \$250M		7/13/2011	9/18/2015
11-A Harbour	964	6/9/1975	6/9/2018	6/9/2028	No Limit					7/13/2011	6/9/2018
12-A North Richmond	19	9/18/1972	9/18/2015	9/18/2025	No Limit					7/13/2011	9/18/2015
1-A Eastshore 1999 Area	14	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
6-A Harbor Gate 1995 Area	616	6/26/1995	7/26/2026	7/26/2041	7/26/2015					7/13/2011	7/13/2023
6-A Harbor Gate 1999 Area	16	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
8-A Hensley 1999 Area	887	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
10-A Downtown 1999 Area	174	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
10-B Nevin 1999 Area	10	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
11-A Harbour 1999 Area	141	7/13/1999	7/13/2030	7/13/2045	7/13/2019					7/13/2011	7/13/2023
10-B Nevin 2005 Area	1783	7/12/2005	7/12/2035	7/12/2050	7/12/2025			\$150M		7/12/2017	7/12/2029

a. The City Council adopted an ordinance authorized by SB 1045 and SB 1096 to extend the time limits for Redevelopment Plans and tax increment collection by three years in all original Project Areas. Per SB 1045, time limits were also extended in the 1980 8-A Hensley Added Area, the 1995 6-A Harbor Gate Added Area and the 1999 Added Areas.

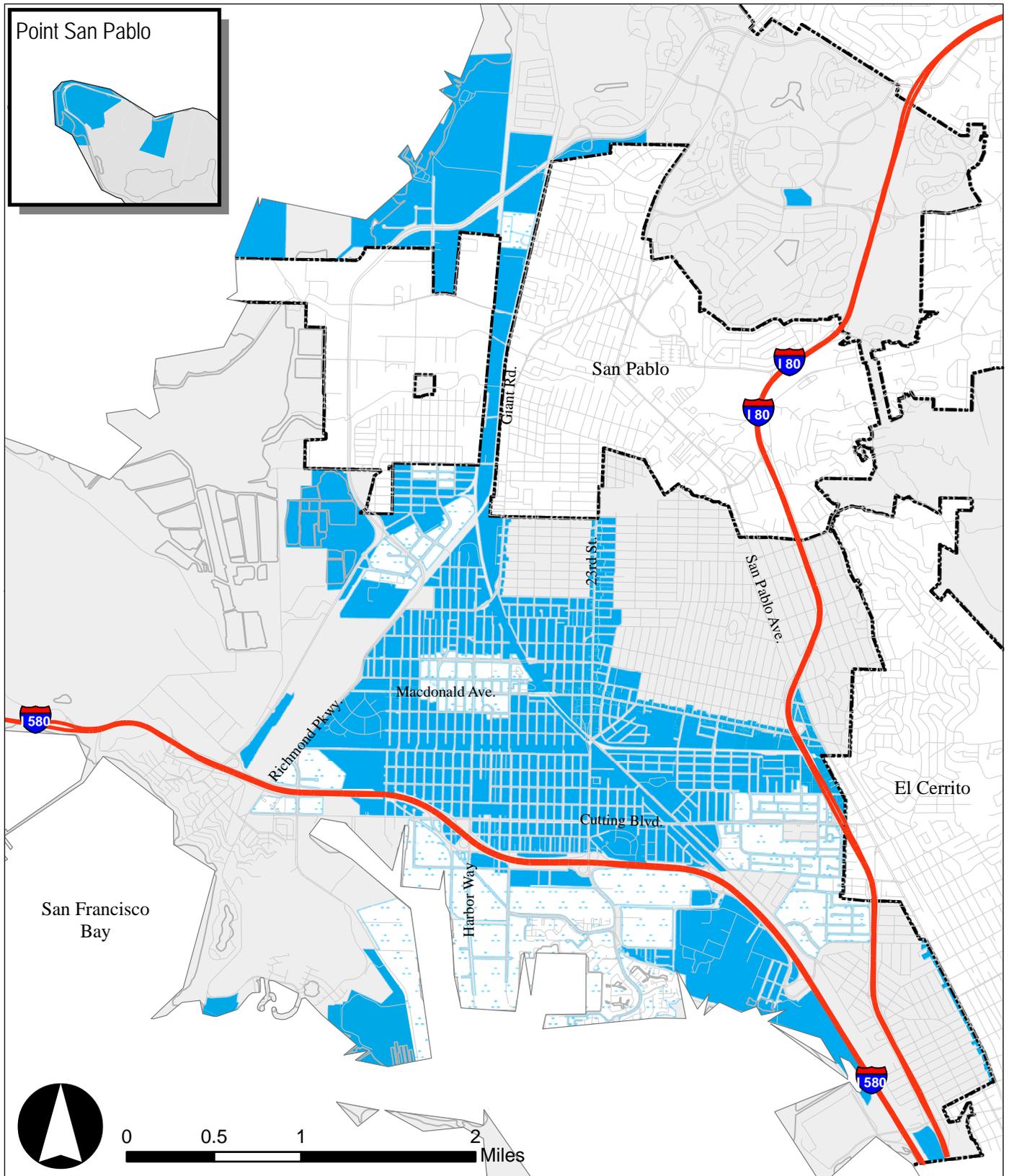
b. At the time of this Report's publication, the constitutionality of the recent SERAF legislation has not yet been determined. Accordingly, the time limits shown here reflect the existing time limits and do not include the one year time extension per recent SERAF legislation.

c. SB 211 amended the CRL to allow the deadlines for incurring debt in project areas adopted prior to 1994 to be repealed. In 2003, the City repealed the deadlines for incurring debt for the nine originally adopted Project Areas and the 1980 8-A Hensley Added Area.

d. The Agency's eminent domain authority only applies to non-residential properties.

Source: Richmond Community Redevelopment Agency, Goldfarb & Lipman, Seifel Consulting Inc.

Figure I-3
Location of Cap and Non-Cap Areas



 Cap Area	 City of Richmond
 Non-Cap Area	

Sources: Richmond Community Redevelopment Agency, Seifel Consulting Inc.



D. Reasons for the Plan Amendment

Although significant progress has been made in alleviating blight and revitalizing some portions of the Merged Project Area, most of the Merged Project Area continues to exhibit blighting conditions that burden the community.

The primary reasons for the proposed Plan Amendment are to:

- Achieve the goals set out in the Constituent Redevelopment Plans and Merged Redevelopment Plan
- Implement the Agency's Redevelopment Program
- Alleviate the physical and economic blighting conditions that remain in the Merged Project Area

Many of the blighting conditions identified in each of the existing Constituent Redevelopment Projects at the time of adoption remain. The following physical and economic blighting conditions continue to hinder the Merged Project Area:

- Unsafe or unhealthy buildings
- Conditions hindering the viable use of buildings or lots
- Inadequate public improvements, public facilities, open spaces, and utilities
- Depreciated or stagnant property
- Impaired values due to hazardous wastes
- Lack of neighborhood serving facilities
- Excess problem businesses
- High crime rate

Without the Plan Amendment, only limited ongoing redevelopment activities to address remaining blighting conditions will be able to be funded under the current tax increment and bonded indebtedness fiscal limits. The Plan Amendment would increase the limit on the amount of tax increment revenue that may be claimed by the Agency from the portions of the Merged Project Area that are subject to the \$521.4 million cap and allow the Agency to alleviate the remaining identified blight through the complete Redevelopment Program. As described in Chapter III, the Redevelopment Program includes significant investments in public infrastructure and economic development projects throughout the Merged Project Area, critical hazardous materials remediation, support for local businesses and property owners for building rehabilitation and business attraction, funding for major transportation improvements, and affordable housing activities. To maintain the Agency's ability to alleviate blight and promote economic growth in the Merged Project Area, the Plan Amendment would extend the time limit for the Agency's eminent domain authority on non-residential properties in portions of the Merged Project Area. The Plan Amendment would also increase the limit on outstanding bonded indebtedness so that the Agency can capitalize on the expected future income stream and invest in key projects sooner than would otherwise be possible.

As described above and detailed in the rest of this Preliminary Report, the remaining blighting conditions in the Merged Project Area are substantial and prevalent and continue to represent a significant burden on the community that cannot be eliminated under the current \$521.4 million

cap. Therefore, the Plan Amendment would increase the limits on tax increment collection and outstanding bonded indebtedness to allow the Agency to complete the Redevelopment Program.

Finally, the Plan Amendment would amend and restate the existing Constituent Redevelopment Plans in the form of the consolidated Merged Redevelopment Plan, thereby consolidating and simplifying the redevelopment documentation in an accessible single document for use by the Agency, the City Council, and the Richmond community.

In summary, the primary reasons for the proposed Plan Amendment are to:

- Alleviate the significant and prevalent economic and physical blighting conditions that continue to exist in the Merged Project Area; and
- Achieve the goals of the Constituent Redevelopment Plans and the Merged Redevelopment Plan

E. Conformity with the General Plan

Section 33331 of the CRL requires all redevelopment plans and plan amendments to be consistent with the General Plan, and Section 33367(d)(4) of the CRL requires that the ordinance adopting the Plan Amendment contain a finding that the Plan Amendment is consistent with the General Plan.

The redevelopment of the Merged Project Area will be in conformance with the General Plan of the City of Richmond, and the General Plan as it is anticipated to be updated in late 2009 or 2010. The draft Merged Plan states:

...the Plan adopts the land uses set forth in the General Plan as the permitted land uses within the Merged Project Area. It is intended that the land uses set forth in the General Plan, shall be the land uses governing this Plan.

Further, the Merged Plan will implement various goals, objectives, and policies of the General Plan regarding the provision of affordable housing and public infrastructure and the economic revitalization of the Merged Project Area. Prior to the City Council's consideration of the Plan Amendment, the Planning Commission of the City of Richmond (Planning Commission) will be requested by the Agency to provide a report regarding the conformity of the Plan Amendment with the existing General Plan and as it is anticipated to be updated.

F. Preliminary Report Requirements

This Preliminary Report is designed to comply with the CRL. Pursuant to Section 33344.5, a preliminary report must demonstrate how a proposed major redevelopment plan amendment meets several requirements to the extent warranted by the proposed redevelopment plan amendment. These legal requirements and a description of how this Preliminary Report is organized to meet these requirements follow. Excerpts from the CRL are referenced and italicized.

1. Reasons for the Plan Amendment

The reasons for the selection of the project area. [Section 33344.5(a)]

Because all of the Constituent Project Areas comprising the Merged Project Area were previously selected and established, and because the Plan Amendment does not propose the addition of any new territory to the Merged Project Area, this element of the Preliminary Report is properly focused on setting forth the reasons for adopting the Plan Amendment.

The reasons for amending, restating and consolidating the existing Constituent Redevelopment Plans into the form of a single Merged Redevelopment Plan and for adopting the other components of the Plan Amendment are summarized in Section D above and detailed throughout Chapters II, III, and IV.

2. Project Area Urbanization

A description of the project area which is sufficiently detailed for a determination as to whether the project area is predominantly urbanized. [Section 33344.5(c)]

Each of the Constituent Project Areas was found to be urbanized to the extent required by the CRL at the time that each Constituent Project Area was adopted or expanded. Since the Plan Amendment does not propose to add territory, this report is not required to include an assessment of the extent of urbanization.

3. Physical and Economic Conditions in the Merged Project Area

A description of the physical and economic conditions existing in the project area. [Section 33344.5(b)]

Chapter II and Appendix B provide a description and documentation of adverse conditions in the Merged Project Area. The evidence in this Preliminary Report demonstrates that the Merged Project Area continues to exhibit adverse physical and economic conditions sufficient to support a finding that significant blight remains within the Merged Project Area.

As discussed in more detail below, the CRL requires certain blight findings for plan amendments that amend time and fiscal limits. While these legal requirements do not need to be presented by the Preliminary Report specifically, they are discussed below. The blight documented in Chapter II of this Preliminary Report provides evidence for the blight findings required for each of the amendments discussed below.

a. Additional Blight Documentation Requirements

A description of the physical and economic conditions specified in Section 33031 that exist in the area that cause the project area to be blighted. The description shall include a list of the physical and economic conditions described in Section 33031 that exist within the project area and a map showing where in the project the conditions exist. The description shall contain specific, quantifiable evidence that documents both of the following: (1) The physical and economic conditions specified in Section 33031. (2) That the described physical and economic conditions are so prevalent and substantial that, collectively, they seriously harm the entire project area. [Section 33352(b)]

The report to the legislative body, to be prepared later in the plan amendment process, pursuant to Section 33352, requires specific quantifiable evidence of physical and economic blight in addition to a map showing where the conditions exist. The documentation of blighting conditions and maps within Chapter II serve to meet CRL Section 33352(b) requirements.

b. Amendment to Increase Tax Increment Collection Limit

When an agency proposes to increase the limitation on the number of dollars to be allocated to the redevelopment agency, it shall describe and identify, in the report required by Section 33352, the remaining blight within the project area, identify the portion, if any, that is no longer blighted, ... [Section 33354.6(b)]

No later than 45 days prior to the public hearing on a proposed plan amendment by the agency or the joint public hearing by the agency and the legislative body, the agency shall prepare a report that contains all of the following: (1) A map of the project area that identifies the portion, if any, of the project area that is no longer blighted, the portion of the project area that is blighted, and the portion of the project area that contains necessary and essential parcels for the elimination of the remaining blight. (2) A description of the remaining blight... [Section 33451.5(c)]

Chapter II of this report describes and documents the remaining blight in the Merged Project Area and shows that the remaining blight is significant and pervasive throughout the Merged Project Area. Chapter II also includes a map of the Merged Project Area that identifies the areas no longer blighted and areas with remaining blight.

Chapter III of this Preliminary Report presents the estimated costs of projects and activities the Agency plans to undertake in order to alleviate the blighting conditions documented in Chapter II. Chapter III establishes the relationship between the costs of the projects and the increased amount of tax increment proposed under this Plan Amendment. Taken together, the documented blighting conditions fulfill the CRL blight documentation requirements of Section 33354.6(b) and 33451.5(c).

c. Amendment to Increase Bonded Indebtedness Fiscal Limit

Section 33451.5(c), referenced above, is also applicable to amendments that change the bonded indebtedness fiscal limit. The blight conditions presented in Chapter II of this Preliminary Report document the remaining, significant and pervasive blight in the Merged Project Area. Chapter II also presents the maps that illustrate the areas no longer blighted, areas with remaining blight and areas that are necessary and essential for the elimination of the remaining blight.

d. Amendment to Extend Time Limit on Eminent Domain Proceeding

This time limitation [eminent domain proceedings] may be extended only by amendment of the redevelopment plan after the agency finds, based on substantial evidence, both of the following: (A) That significant blight remains within the project area. (B) That this blight cannot be eliminated without the use of eminent domain. [Section 33333.2(a)(4)]

Pursuant to Section 33333.2(a)(4) the redevelopment agency must make blight findings in order to amend the time limit for eminent domain proceedings. The blight documentation presented in Chapter II illustrates that significant blight remains in the Merged Project Area and the remaining blight cannot be eliminated without the use of eminent domain and fulfills the Section 33333.2(a)(4) requirement.

4. Proposed Projects and Blight Alleviation

A description of the specific project or projects then proposed by the agency.
[Section 33344.5(e)]

A description of how the project or projects to be pursued by the agency in the project area will improve or alleviate the conditions described in subdivision (b). [Section 33344.5(f)]

Chapter III of this Preliminary Report provides descriptions and updated cost estimates of the Redevelopment Program projects and activities to be undertaken by the Agency as a means to alleviate blighting conditions within the Merged Project Area if the Plan Amendment is adopted. Chapter III links the specific Redevelopment Program components with the identified adverse conditions in Chapter II of this Preliminary Report.

5. Proposed Method of Financing

A preliminary assessment of the proposed method of financing the redevelopment of the project area, including an assessment of the economic feasibility of the project and the reasons for including a provision for the division of taxes pursuant to Section 33670 in the Redevelopment Plan. [Section 33344.5(d)]

Chapter IV of this Preliminary Report describes the proposed methods of financing for the proposed projects and activities in the Merged Project Area if the Plan Amendment is adopted. It demonstrates the financial feasibility of the Redevelopment Program by comparing available funding sources with projected costs of the Redevelopment Program. It also demonstrates the need for the proposed increased tax increment and bonded indebtedness financing limits contained in the Plan Amendment, in order to fund the Redevelopment Program described in Chapter III and alleviate the remaining adverse physical and economic conditions of the Merged Project Area documented in Chapter II.

G. Overview of the Redevelopment Plan Amendment Process

The Plan Amendment requires an adoption process that parallels the adoption of a new redevelopment plan (CRL Section 33354.6). This process includes the preparation of this Preliminary Report and the report to the legislative body (the Report to Council on the Plan Amendments). In addition, pursuant to the recent addition of Section 33451.5 of the CRL, the Agency must also submit a report to the State Department of Finance (DOF) and Department of Housing and Community Development (HCD). This report, referred to in this Preliminary Report as the State Report, must contain information similar to the Preliminary Report plus specified additional information including:

1. An amendment to the Agency's Implementation Plan
2. A new Neighborhood Impact Report

Amending a redevelopment plan involves a complex statutorily-mandated process designed to provide a community's legislative body with the necessary analysis and input to make informed decisions about the purpose, scope and content of the Plan Amendment and, ultimately, about whether to adopt the Plan Amendment. The following briefly describes the reports and steps in the process:

- Statement of Plan Preparation
The Agency transmits to the State Board of Equalization (SBE), County officials and affected taxing entities a statement of plan preparation, a legal description and a boundary map, pursuant to CRL Section 33327.
- Preliminary Report
The Preliminary Report is the first major background document in the process to approve the Plan Amendment. It is required to be prepared and sent to affected taxing entities to inform them of the purpose and impact of the proposed Plan Amendment. The Preliminary Report also provides members of the City Council, other governmental bodies, affected taxing entities, community leaders, and interested citizens with an early statement of comprehensive background information on the proposed Plan Amendment. The Preliminary Report must be transmitted to the governing board of each affected taxing entity no later than 90 days prior to the public hearing for the redevelopment plan amendment.
- Environmental Review
The adoption of the Plan Amendment requires California Environmental Quality Act (CEQA) compliance. An Environmental Impact Report (EIR) will be prepared on the Plan Amendment.
- Amended Redevelopment Plan
The Plan Amendment proposes to consolidate the Constituent Redevelopment Plans into a single Merged Plan. The Merged Plan will become the legal document setting forth the basic goals, powers and limitations with which the Agency must conduct its activities over the life of the Merged Project Area. Toward the conclusion of the consultation with taxing entities, environmental review and community participation process, the Agency must submit the proposed Merged Plan to the Planning Commission and the City Council in preparation for the public hearing and consideration of the Plan Amendment.
- Community and Taxing Entity Consultation
Agency staff consults with the community and affected taxing entities.
- State Report
A report on the Plan Amendment, containing information similar to the Preliminary Report plus specified additional information, must be submitted by the Agency to State Department of Finance and the State Department of Housing and Community Development.
- Report to Council
The Report to Council is a report to the legislative body that describes the proposed Plan Amendment and presents the updated information from the Preliminary Report, the Five Year Implementation Plan and additional chapters addressing specific requirements of the CRL.
- Redevelopment Agency Authorization and Transmittal
The Redevelopment Agency Board authorizes transmittal of the Plan Amendment to the Planning Commission for its report and recommendation and authorizes transmittal of the Plan Amendment and the Report to the City Council.
- General Plan Conformity
The Planning Commission considers the Plan Amendment for its conformance with the General Plan and makes a recommendation on approval and adoption of the Plan Amendment.
- Redevelopment Agency and City Council Hearing
The Redevelopment Agency Board and City Council conduct a duly noticed joint public hearing on the Plan Amendment.

- Ordinance Adoption
Following the joint public hearing on the Plan Amendment, the City Council makes required CRL findings and adopts an ordinance amending the Constituent Redevelopment Plans in the form of the proposed Merged Plan.

H. Public Agency Actions to Date and Anticipated

The following major public agency actions related to the Plan Amendment have occurred to date or are anticipated:

- Statement of Preparation
While not legally required for the proposed Plan Amendment because no territory is proposed to be added through the Plan Amendment, a courtesy “Statement of Preparation” was transmitted, on May 1, 2009 by Agency staff to the State Board of Equalization (SBE), County officials and affected taxing entities. The notice describes the proposed Plan Amendment and anticipated process and schedule. A copy of the Statement of Plan Preparation is shown in Appendix B.
- Preliminary Report
This Preliminary Report will be delivered to the City Council, Agency Board and the affected taxing entities in October 2009.
- Environmental Review
The City is in the process of preparing an Environmental Impact Report (Draft EIR) for the Plan Amendment. Planning staff published and notified affected taxing entities of the Notice of Preparation on November 16, 2008. The City of Richmond Planning Commission conducted a scoping session on December 4, 2008 to solicit views on the scope and content of the EIR. The Notice of Availability of the Draft EIR is scheduled to be transmitted to the State Clearinghouse in October 2009, and it will be distributed to public agencies and other persons and organizations that have requested this notice as required by CEQA.
- Taxing Entity Consultation
The Agency will engage in consultations with the affected taxing entities starting in October 2009.
- Plan Amendment Consideration
To complete the process, the City Council and the Agency Board will conduct a duly noticed public hearing on the Plan Amendment at which those bodies will consider the documents described above, any recommendations of the Planning Commission and public testimony. Following the public hearing, the City Council will consider certification of the final EIR and adoption of an ordinance adopting the Plan Amendment. The City Council consideration of the Plan Amendment is anticipated in early 2010.

II. Existing Conditions

A. Introduction

This chapter describes existing conditions in the Merged Project Area, comprised of nine Constituent Project Areas (1-A Eastshore, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour, and 12-A North Richmond).¹ It presents documentation, in accordance with California Community Redevelopment Law (CRL), that adverse physical and economic conditions (“blight”) remain in the Merged Project Area. The conditions were found throughout the Merged Project Area. Collectively, the analyses, maps, graphs, tables and other documentation contained in this chapter and the photographic documentation and accompanying CD of digital photos in Appendix B provide substantial evidence for findings necessary for the Plan Amendment.

1. Chapter Organization

This chapter is organized into the following sections:

- A. Introduction
- B. Methodology
- C. Redevelopment Activities in the Merged Project Area
- D. Remaining Physical Blighting Conditions
- E. Remaining Economic Blighting Conditions
- F. Inadequate Public Improvements
- G. Conclusions for Blight Findings

2. Relevant Provisions of the CRL

As discussed in Chapter I, the proposed Plan Amendment for the Merged Project Area is a major amendment. Therefore, the Agency must follow similar procedures to a new plan adoption, including providing a description in the Preliminary Report of the physical and economic conditions in the project area, per CRL Section 33344.5(b). This subsection only addresses the specific CRL provisions related to documentation of the existing conditions for the Plan Amendment. Refer to Chapter I for a more detailed discussion on CRL requirements for the Preliminary Report and for blight documentation (excerpts from the CRL are italicized).²

a. CRL Definitions of a “Blighted Area”

CRL Section 33344.5(b) requires that the Preliminary Report include a description of the adverse physical and economic conditions (blight) in the Merged Project Area. The definitions of blight in the CRL, upon which the documentation must be based, have been modified several times since the Constituent Redevelopment Plans for the Constituent Project Areas comprising the Merged

¹ The 1-B Pilot and 4-A Terrace Project Areas were not fiscally merged with the nine Constituent Project Areas in 1999.

² The CRL also includes requirements for blight documentation, specific to each type of plan amendment. See Chapter I for a detailed discussion on CRL procedural requirements.

Project Area were adopted and previously amended. Key legislative changes in the blight definitions became effective in 1984, 1994 and 2007.

The current blight definitions (effective as of January 1, 2007) require an area to exhibit both adverse physical and economic conditions. Inadequate public improvements may be a contributing factor to blight.

CRL Section 33030 describes the standards for and characteristics of blighted areas and states the following:

- (a) It is found and declared that there exist in many communities blighted areas that constitute physical and economic liabilities, requiring redevelopment in the interest of the health, safety, and general welfare of the people of these communities and of the state.*
- (b) A blighted area is one that contains both of the following:*
 - (1) An area that is predominately urbanized, as that term is defined in Section 33320.1, and is an area in which the combination of conditions set forth in Section 33031 is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community that cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.*
 - (2) An area that is characterized by one or more conditions set forth in any paragraph of subdivision (a) of Section 33031 and one or more conditions set forth in any paragraph of subdivision (b) of Section 33031.*
- (c) A blighted area that contains the conditions described in subdivision (b) may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.*

b. CRL Definition of Adverse Physical and Economic Blighting Conditions

CRL Section 33031 defines the adverse physical and economic conditions that can be used as evidence of blight. Table II-1 lists the most recent set of blight definitions, those effective since 2007 (per SB 1206). This Preliminary Report documents remaining blight in the Merged Project Area in terms of the SB 1206 blight definitions

The Merged Project Area continues to exhibit substantial and prevalent blighting conditions recognized in the current CRL blight definitions. These conditions are documented throughout Chapter II and in Appendix B and support the required blight findings for the Plan Amendment set forth in the CRL.

**Table II-1
CRL Blight Definitions (SB 1206)**

Blight Characteristic		Definition Under CRL as Amended by SB 1206 Effective January 1, 2007
A. Physical Conditions [CRL Section 33031(a)]		
(1)	<i>Unsafe or Unhealthy Buildings</i>	Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions may be caused by serious building code violations, serious dilapidation and deterioration caused by long-term neglect, construction that is vulnerable to serious damage from seismic or geologic hazards, and faulty or inadequate water or sewer utilities.
(2)	<i>Conditions Hindering Viable Use of Buildings or Lots</i>	Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots. These conditions may be caused by buildings of substandard, defective, or obsolete design or construction given the present general plan, zoning, or other development standards.
(3)	<i>Adjacent or Nearby Incompatible Uses</i>	Adjacent or nearby incompatible land uses that prevent the development of those parcels or other portions of the project area.
(4)	<i>Irregular Lots in Multiple Ownership</i>	The existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes, given present general plan and zoning standards and present market conditions.
B. Economic Conditions [CRL Section 33031(b)]		
(1)	<i>Depreciated or Stagnant Property Values</i>	Depreciated or stagnant property values.
(2)	<i>Impaired Property Values Due to Hazardous Wastes</i>	Impaired property values, due in significant part, to hazardous wastes on property where the agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).
(3)	<i>Indicators of Economically Distressed Buildings</i>	Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings.
(4)	<i>Serious Lack of Neighborhood Commercial Facilities</i>	A serious lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
(5)	<i>Serious Residential Overcrowding</i>	Serious residential overcrowding that has resulted in significant public health or safety problems. As used in this paragraph, "overcrowding" means exceeding the standard referenced in Article 5 (commencing with Section 32) of Chapter 1 of Title 25 of the the California Code of Regulations.
(6)	<i>Excess of Problem Businesses</i>	An excess of bars, liquor stores, or adult-oriented businesses that has resulted in significant public health, safety, or welfare problems.
(7)	<i>High Crime Rates</i>	A high crime rate that constitutes a serious threat to the public safety and welfare.
C. Inadequate Public Improvements [CRL Section 33030(c)]		
		A blighted area ... may also be characterized by the existence of inadequate public improvements or inadequate water or sewer utilities.

Source: California Community Redevelopment Law.

c. CRL Urbanization Requirement

As of 1994, the CRL requires that at least 80 percent of an area to be designated as in a redevelopment project area be predominantly urbanized. The CRL, however, does not require an assessment of the extent of urbanization for an amendment to a project area where no territory is being added. Therefore, this report does not include an assessment of the extent of urbanization for the Merged Project Area, since the Plan Amendment does not propose to add territory.

d. CRL Requirement of Areas No Longer Blighted

CRL Section 33354.6(b) states that plan amendments pursued for the purpose of increasing the limit on the number of dollars to be allocated to the redevelopment agency must identify the areas no longer blighted. The existing conditions documentation for the Merged Project Area contains a description and map of the portions that are no longer blighted.

3. Maps and Photographs

The figures throughout this chapter summarize and locate (or map) blighting conditions remaining in the Merged Project Area. The individual figures, taken together, demonstrate that significant blighting conditions remain and affect properties throughout the Merged Project Area.³

Photographs documenting substantial and pervasive adverse physical and economic conditions in the Constituent Project Areas within the Merged Project Area are presented in Appendix B. As shown in the photograph location maps (Figure II-3, Figure II-4 and Appendix B), over 383 photographs showing examples of blighting conditions were documented in the Merged Project Area. The maps indicate that these blighting conditions are widely distributed throughout the Merged Project Area. As described in more detail in the following section, City and Agency staff and staff from Seifel Consulting Inc. (Seifel), redevelopment consultants, conducted a multi-day existing conditions field survey during August through October 2008. To the best of their knowledge, Seifel and Agency staff members surveyed every publicly accessible block and area in the Merged Project Area. Seifel staff members used a GPS digital camera, which records the location of the image at the time the picture was taken, as well as a standard digital camera, while recording building conditions in the field.

B. Methodology

The methodology for assessing existing conditions and remaining blight in the Merged Project Area includes a review of past conditions and projects, extensive field surveys, analysis of public records and economic data, and discussions with relevant professionals. This section describes the sources and methods in detail.

³ The Report to Council on the Plan Amendment, to be prepared subsequent to the Preliminary Report, must include a map indicating where the blighting conditions exist, as required by CRL Section 33352(b).

1. Review of Past Conditions and Redevelopment Activities

Prior existing conditions analyses and reports on redevelopment activities to date were reviewed to establish the relevant history of the Merged Project Area and identify likely areas of remaining blight. Documents prepared for the 1999 Plan Amendment and Merger and 2005 Plan Amendment, the Agency's current Five Year Implementation Plan and the 2007 Midterm Review of the Implementation Plan provided evidence of past blighting conditions and efforts to remediate blight in the Merged Project Area. City and Agency staff provided information on projects completed since 2007, as well as projects that are ongoing or planned for the immediate future. This existing conditions assessment focuses on the status of blighting conditions previously identified, blight that has been alleviated by past redevelopment activities, and remaining blight that cannot be fully addressed within the time and fiscal constraints of the current redevelopment plans.

2. Field Survey and Photo Documentation

City and Agency staff and redevelopment consultants from Seifel conducted field reconnaissance surveys in August through October 2008. The primary purpose of these surveys was to document existing conditions in the Merged Project Area, including areas no longer blighted, areas necessary and essential for the elimination of blight, and areas with remaining blight. During multiple visits to each Constituent Project Area within the Merged Project Area, the surveyors observed adverse physical and economic conditions from automobiles and on foot, driving or walking through each publicly accessible street within the Constituent Project Areas. The surveyors also took photographs of infrastructure deficiencies and other adverse site conditions. The photographs taken during these surveys illustrate these conditions, and a representative sample of the photographs is included in Appendix B.

The surveys occurred from August through October 2008, and photographs taken during these surveys were used to evaluate unsafe and unhealthy buildings and document several other adverse physical and economic blighting conditions included in the CRL. A camera, equipped with global positioning capabilities, was used to digitally record the photographs and the latitude and longitude of their locations. A programmable feature of the camera also allowed the consultants to electronically record the blighting conditions as observed in the field. Sections D, E and F below cite results from these surveys in assessing remaining blight in the Merged Project Area.

To ensure the accuracy of photographic documentation, the consultants conducted a thorough quality assurance process to check the adverse physical and observable economic blighting conditions documented by the photographs. This process included both internal and field checks. Quality assurance of the Field Survey included a check of 41 randomly selected buildings from the Merged Project Area including buildings in each of the Constituent Project Areas. Agency staff and consultants not present for the Field Survey were used for quality assurance in order to provide unbiased, third party verification of Field Survey results. The results of the field check indicated that the photographic documentation was representative and the descriptions of observed conditions were accurate. Thus, further quality assurance checks were not needed.

Note that the photographs taken during the field surveys are used to illustrate the prevalence and extent of remaining blight in the Merged Project Area and are not intended to identify individual properties for potential City or Agency action.

3. Other Data and Sources

Other data and sources used in the existing blighting conditions analysis include:

- Discussions with City, Agency, County and State departments staff in meetings, by telephone and by e-mail between September 2008 and April 2009.
- Reviews of available documents including reports, studies, maps, and aerial photographs provided by City and Agency staff, County and State departments, and technical reports, analyses and maps prepared by other consultants and professionals.
- Analyses of data related to blighting conditions from numerous sources, such as data from the Contra Costa Assessor's Office, Richmond Code Enforcement Division, California Department of Toxic Substance Control, U.S. Census, and newspaper articles.
- Interviews with property owners/managers and real estate professionals familiar with Richmond and the Merged Project Area.
- Analyses of economic and other data from various sources.

Refer to Appendix A for a list of sources used in the existing blighting conditions analysis.

C. Redevelopment Activities in the Merged Project Area

This section describes the blighting conditions documented at the time of plan adoption and amendment, and the Agency's activities to alleviate blighting conditions. The 1999 Plan Amendment and Merger fiscally merged the nine Constituent Project Areas to allow sharing of tax increment revenues within the Constituent Project Areas. The CRL requires that blight documentation show significant blight remaining in the Merged Project Area. Therefore, the remainder of this chapter presents the existing conditions within the Merged Project Area, illustrating clearly that both physical and economic blighting conditions persist in most of the Constituent Project Areas.

1. Blighting Conditions in the Constituent Project Areas at Time of Plan Adoption and Amendment

For each of the Constituent Project Areas, the City Council found evidence of blight at the time of plan adoption and applicable plan amendments that required evidence of remaining blight, and concluded that redevelopment was necessary to effect the public purposes declared in the CRL.⁴ Table II-2 summarizes the blight findings documented in the past for each of the Constituent Project Areas.

2. Redevelopment Activities

The Constituent Project Areas were fiscally merged in 1999, as discussed above and in Chapter I. Many of the Agency's redevelopment efforts since then have not been limited to programs and activities specific to the Constituent Project Areas, but rather focused on redevelopment programs that benefit the Merged Project Area as a whole. This strategy has allowed the Agency to more effectively utilize limited resources and engage in activities that provide area-wide benefits. The Agency's redevelopment activities are focused on the following redevelopment program categories:

- Economic Development
 - Planning, Property Acquisition, Site Preparation, and Toxic Remediation
 - Commercial and Industrial Attraction, Retention and Expansion
 - Commercial Rehabilitation
 - Business Development
- Community Enhancement
 - Public Improvements
 - Beautification
 - Cultural Arts and Recreational Facilities Improvements
- Affordable Housing

⁴ The Reports to Council for the 1999 Plan Amendment and Merger and 2005 Plan Amendment provide the most comprehensive discussion of the blighting conditions at the time of plan adoption and amendments in the nine Constituent Project Areas. These two Reports documented blighting conditions in accordance with the blight definitions in effect at that time (1994–2006 definitions), with the exception of the 11-A Harbour Project Area in the 1999 Plan Amendment and Merger, which relied on the public improvement deficiency blight definition used at the time of plan adoption.

**Table II-2
Summary of Blighting Conditions at Time of Plan Adoption and Major Amendments**

Project Area		Acres	Adopted	Pre-1999	1999–2005
1-A	Eastshore	123	8/26/1957	<ul style="list-style-type: none"> • Faulty planning • Inadequate streets, open spaces, and utilities • Lots of irregular form and shape and inadequate size 	<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Factors that prevent or substantially hinder the economical viable use or capacity of buildings or lots
1-C	Potrero	150	4/4/1960	<ul style="list-style-type: none"> • Small commercial buildings in sub-standard condition throughout residential areas • Narrow, inadequate and unsafe streets below minimum structural standards used as thoroughfares • Deficiencies in public utilities including an open drainage ditch • Poor surface drainage • Lack of public parks • Improper subdivision 	<ul style="list-style-type: none"> • Deteriorated and dilapidated buildings
3-A	Galvin	95	2/28/1955	<ul style="list-style-type: none"> • Defective design, physical construction, faulty interior arrangement and exterior spacing • Overcrowding • Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities 	<ul style="list-style-type: none"> • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots • Vacant lots
6-A	Harbor Gate	118	11/8/1954	<ul style="list-style-type: none"> • Lack of adequate infrastructure 	<ul style="list-style-type: none"> • Presence of hazardous waste • Inadequate streets • High vacant rates • Obsolete design
	1995 Area	616	6/26/1995	<ul style="list-style-type: none"> • Deteriorated and dilapidated buildings • Deferred maintenance • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots • Inadequate circulation • Inadequate infrastructure • Lots of irregular form and shape and inadequate size • Depreciated or stagnant property values • Presence of hazardous waste • High vacancy rates • Vacant land • Lack of commercial facilities for residents and workers 	<ul style="list-style-type: none"> • Presence of factors that inhibit the economically viable use of certain properties • Substandard and obsolete building design • Lack of infrastructure • Inadequate circulation • Excessive vacant lots
	1999 Area	16	7/13/1999		<ul style="list-style-type: none"> • Depreciated or stagnant property values
8-A	Hensley	90.5	5/29/1960	<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Inadequate traffic circulation • Residential overcrowding • Inadequate infrastructure 	<ul style="list-style-type: none"> • Vacant industrial facilities • Excessive vacant lots • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots
	1980 Area ^a	23.5	3/31/1980		
	1999 Area	887	7/13/1999		<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Defective or substandard design • Inadequate public facilities • Presence of hazardous materials • Depreciated or stagnant property values • Excess vacant lots

a. For the 1999 Plan Amendment, the pre-1999 blighting conditions in the original 8A Project Area and the 1980 Added Area were combined.

**Table II-2
Summary of Blighting Conditions at Time of Plan Adoption and Major Amendments**

Project Area		Acres	Adopted	Pre-1999	1999–2005
10-A	Downtown	107	5/23/1966	<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Inadequate public facilities 	<ul style="list-style-type: none"> • High vacancy rates • Lack of commercial facilities • Deteriorated and dilapidated buildings
	1999 Area	174	7/13/1999		<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Inadequate public facilities • Defective or substandard design • High crime rate • Lack of neighborhood serving businesses • High vacancy rates
10-B	Nevin	17	9/18/1972	<ul style="list-style-type: none"> • Excessive vacant land • Deteriorated and dilapidated buildings • Conflicting land uses • Inadequate public facilities • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots 	<ul style="list-style-type: none"> • Deteriorated and dilapidated buildings • Excessive vacant lots and structures
	1999 Area	10	7/13/1999		<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Inadequate public facilities • Defective or substandard design • High vacancy rates • Depreciated or stagnant property values
	2005 Area	1783	7/12/2005		<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Factors that inhibit proper use of buildings/lots • Depreciated or stagnant property values • Economic indicators of distressed buildings or lots • Overcrowding • High crime rate • Public improvement deficiencies
11-A	Harbour	964	6/9/1975	<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • Inadequate public facilities • Defective design 	<ul style="list-style-type: none"> • Inadequate infrastructure • Commercial vacancies • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots • Deteriorated and dilapidated buildings
	1999 Area	141	7/13/1999		<ul style="list-style-type: none"> • Deteriorated or dilapidated buildings • High vacancy rates • Presence of hazardous materials • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots • Obsolete design • Depreciated or stagnant property values
12-A	North Richmond	19	9/18/1972	<ul style="list-style-type: none"> • Lack of affordable housing • Deteriorated and dilapidated buildings • Conflicting land uses • Inadequate public facilities • Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots 	<ul style="list-style-type: none"> • Excessive vacant lots and residential units • Deteriorated and dilapidated buildings • High crime rate

Source: Report to Council on the Proposed Plan Amendments to the Redevelopment Plan Including the Merger of the Richmond Redevelopment Projects, May 1999; Report to Council on the Richmond 10-B Nevin Plan Amendment, June 2005.

Since the adoption of the Constituent Project Areas, the Agency has facilitated or assisted in the implementation of numerous major projects and developments that alleviated blighting conditions and catalyzed development in the Merged Project Area, including but not limited to the following:

a. Projects and Developments Prior to 1999 Fiscal Merger

- Marina Bay – A 2,200 residential unit development and a 750-berth pleasure boat marina and public parks that revitalized and repurposed former World War II Kaiser Shipyards.
- Richmond Parkway – A four lane arterial roadway designed to provide access between I-80 and I-580. The Richmond Parkway has also provided access to large vacant and underutilized parcels that were previously difficult to develop due to inaccessibility.
- Downtown Revitalization – Construction of a 220-space City parking garage, a 78,000 square foot Downtown retail project, a supermarket, a community police substation, a 20,000-square foot community garden, the development of Memorial Park, murals and other public art projects, and the initial rehabilitation of the historic Winters Building.
- Commercial Development – Approximate 300,000 square feet of commercial, light industrial and research and development (flex-office) uses in the 11-A Harbour Project Area.

b. Projects and Developments 1999 to 2009⁵

- Richmond Intermodal Transit Village and Metrowalk– Major transit-oriented development project in the heart of the city, including a new 2,300 square foot intermodal transit center serving BART, Amtrak and AC Transit lines; 132-units of housing with 50 percent affordable units (Phase I complete); over 25,000 square feet of commercial space; a 762-space garage at the Transit Village in progress; and a joint Richmond BART police patrol stop.
- Ford Assembly Building Rehabilitation – Rehabilitation and seismic upgrade of a vacant and deteriorated historic building along the Richmond shoreline formerly used by Ford Motor Company as an automobile assembly plant. Redeveloped into a mixed-use project, including industrial/research and development, retail, restaurant, office, and the to be constructed Rosie the Riveter Visitors Center.
- Anchor Cove by Signature – New 128-unit townhouse project under construction in Marina Bay on formerly vacant and underutilized land with significant hazardous waste contamination, as well as 50,000 square feet of commercial and public access improvements to Anchor Cove.
- Phase I of Richmond Greenway – First phase of the Richmond Greenway project, a bicycle and pedestrian greenway trail connecting east and west Richmond, on underutilized land along an abandoned railroad right-of-way along Ohio Avenue between Garrard and 23rd Streets.
- Nevin Park – Complete overhaul of park based on community input to increase usage and accessibility to residents. Includes two new multi-purpose play fields, water play feature, park furniture, a perimeter walking path and flat, open view areas.
- Macdonald 80 Shopping Center – A new regional shopping center on formerly vacant and underutilized land, consisting of 200,000 square feet, which includes a Target store and other retailers.

⁵ As of June 2009.

- West and East Macdonald Streetscape– Street and pedestrian improvements including street rehabilitation, utility upgrades, pedestrian crosswalks, wayfinding signage, and public art.
- Chesley Mutual Housing – A 30-unit mutual housing project for households at or below 60 percent Area Median Income (AMI), in partnership with Community Housing Development Corporation of North Richmond and Eden Housing, Inc.
- Easter Hill Homes – Replacement of 300 dilapidated public housing units using redevelopment and Hope VI funds as a mixed-use neighborhood, including townhouses, duplexes, single-family homes, a 20,000 square foot community center, and open space.
- Pullman Point – Substantial rehabilitation of a 199-unit apartment complex all affordable to very low and low-income households.
- Trinity Plaza – A 66-unit senior housing project for seniors at or below 60 percent AMI, sponsored by Richmond Labor and Love Community Development Corporation, and developed by the Related Companies, a for-profit developer of affordable housing.
- Winters Building –A 20,000 square foot performing arts building on Macdonald Avenue.

Table II-3 summarizes the Agency’s activities by redevelopment program category and Project Area.

Table II-3
Summary of Redevelopment Programs and Activities in the Merged Project Area
FY 1999/00 to FY 2008/09

Projects and Activities	Location	Description
I. Public Improvements		
Circulation and Landscaping	Merged Project Area	Improved roads, intersections, signalization and landscaping. Completed streetscape and realignment on East Macdonald Avenue. Assisted in road rehabilitation program throughout Merged Project Area.
	11-A Harbour	Extended Seacliff Drive. In Westshore, improved Harbour Way, Hall Avenue and Marina Way. In the Northshore Development, relocated street and utility corridor and vacated Regatta Square Street and created new north/south street alignment to accommodate an approximately 130 unit townhome project and a 50,000 square foot commercial village. Completed improvements to Regatta Boulevard at the Marina intersection. Widened Regatta Boulevard between Schooner and Marina Way from two to four lanes. Improved landscaping and signal protection on Marina Way South. Improved railroad crossings and railroad crossing protection. Reconstructed Hall Avenue. Completed South Shoreline improvements (riprap restoration).
	6-A Harbor Gate	Constructed alternate access road to the Marina south of Union Pacific/Richmond Pacific railroad right of way. Improved railroad crossings and railroad crossing protection.
	8-A Hensley	Promoted infrastructure improvement to support developing industrial, commercial and residential uses near the Richmond Parkway.
	10-A Downtown	Implemented the City Center Specific Plan.
Parks and Recreational Facilities	Merged Project Area	Developed and renovated parks, recreation facilities and community facilities, including rehabilitation of Nichol and Nevin Parks.
	11-A Harbour	Reconstructed Marina Bay Park and added a permanent restroom, play structure, and trail and interpretive signage. Reconstructed wooden portion of Marina Esplanade. Assisted with the expansion of the Bay Trail. Built and opened the Barbara and Jay Vincent Park at the foot of the Marina Bay Parkway. Built and opened the new 1.9-acre Lucretia M. Edwards Park and trail system. Completed the Rosie the Riveter memorial in Marina Bay Park. Opened Ferry Point Park and added to Miller-Knox Park.
Public Utility Upgrades	Merged Project Area	Upgraded public utilities and placed overhead utility lines underground where feasible.

Source: Richmond Community Redevelopment Agency.

Table II-3
Summary of Redevelopment Programs and Activities in the Merged Project Area
FY 1999/00 to FY 2008/09

Projects and Activities	Location	Description
Public Structures	Merged Project Area	Repaired, rehabilitated, installed and acquired public structures as needed. Constructed Cutting Boulevard Gateway and sound wall.
	11-A Harbour	Repaired wooden section of the waterfront esplanade. Added new lighting to the waterfront esplanade. Worked in collaboration with City and local agencies to re-establish potential for ferry service at the foot of Harbor Way South. Improved Marina by assigning management of the 750 berth Marina to a private management company. Constructed 200 space parking area for the Ferry at the foot of Harbour Way South.
	10-A Downtown	Completed transit village development of "MetroWalk" transit village in conjunction with Downtown revitalization. Constructed downtown intermodal station building, including center platform for Capitol Corridor and Amtrak. Facilitated construction of a 2,000 ft. ornamental safety fence to prevent trespassing on the Union Pacific track between Macdonald Avenue and the 23 rd Street overpass. Improved upper Macdonald Avenue to accommodate I-80 Shopping Center. Retrofitted and leased downtown parking garage.
Parking Improvements	Merged Project Area	Developed and implemented parking optimization strategies throughout the Merged Project Area. Conducted shared parking studies to reduce parking requirements in future development projects.
	11-A Harbour	Conducted needs analysis and feasibility study for shared parking, including parking structures on the north shore and ferry parcels.
	10-A Downtown	Assisted with parking garage renovation to bring the facility up to code and 100 percent functionality. Assisted with downtown parking garage renovation by developing a garage improvement program and cost breakdown. Sought funding for Downtown parking improvements.
2. Planning, Property Acquisition, Site Preparation, and Toxic Remediation		
Acquire Nonconforming Uses	Merged Project Area	Undertook strategic acquisitions of parcels when the need and opportunity arose.
Consolidate Nonconforming Uses	Merged Project Area	Consolidated similar uses into a transition area between heavy industry and other areas, which will act as a catchment for job shops and other non-conforming business activities located in neighborhoods and the Merged Project Area.
Hazardous Waste Clean-up	Merged Project Area	Recruited and assisted developers who can remediate and redevelop sites contaminated with hazardous materials. Remediated sites contaminated with hazardous materials, including Terminal One and Area T. Continued to assist in redeveloping brownfield properties.

Source: Richmond Community Redevelopment Agency.

**Table II-3
Summary of Redevelopment Programs and Activities in the Merged Project Area
FY 1999/00 to FY 2008/09**

Projects and Activities	Location	Description
3. Commercial and Industrial Attraction, Retention and Expansion		
Property Development Assistance	Merged Project Area	Provided assistance to property owners with development, including assistance with site cleanup and site assembly. Attracted Honda dealership to abandoned commercial area.
	10-A Downtown	Facilitated the assembly of underperforming sites in order to implement high density, mixed use development along Macdonald Avenue. Increased functionality of the Richmond Enterprise Center in order for it to operate as a business incubator.
	6-A Harbour Gate	Attracted new shopping center to Marina Bay Parkway.
4. Commercial Rehabilitation		
Commercial Rehabilitation	Merged Project Area	Rehabilitated existing commercial uses in the Project Areas. Continued to fund and manage a façade improvement program.
	11-A Harbour	Worked with Orton Development to complete rehabilitation of the Ford Assembly Building into a mixed-use, commercial/industrial project.
5. Business Development		
Private Development Assistance	Merged Project Area	Assisted with offsite improvements associated with private development. Helped promote private development in economically challenged areas through improvements to roadway, lighting, landscaping, signage, curb, gutter, sidewalks, and drainage. Worked with Chevron to locate and develop an “industrial buffer” industrial park that relocates and modernizes non-conforming job shops located in residential and Merged Project Area. Assisted with the location of the Department of Health Services State Laboratory Facility. Assisted with the location of the Kaiser Permanente Optical Laboratory. Facilitated the location of the Auto Warehousing Corporation vehicle transfer facility in the Port.
6. Beautification		
Commercial Area Improvements	Merged Project Area	Implemented Commercial Area Improvement Program by improving business façades, repairing streets and improving utilities and roadways. This includes public amenities such as roadway improvements, lighting, landscaping, street furniture, signage, curb, gutter, sidewalk repair, drainage, and underground utilities.
	10-A Downtown	Constructed and/or rehabilitated public infrastructure and public facilities in order to stimulate new private and non-profit development. Implemented improvements consistent with the Macdonald Avenue Revitalization Plan. Constructed downtown streetscape improvements. Commissioned a John Wherle mural on the Union Pacific/BART overpass. Developed community space that includes five community murals. Developed a strategic improvement program for Macdonald Avenue between San Pablo and 39 th Street. Assisted with the development and establishment of the Richmond ‘Main Street’ program.

Source: Richmond Community Redevelopment Agency.

Table II-3
Summary of Redevelopment Programs and Activities in the Merged Project Area
FY 1999/00 to FY 2008/09

Projects and Activities	Location	Description
6. Beautification (cont.)		
Public Art	Merged Project Area	Provided public art at Transit Village and Civic Center and throughout gateways in Richmond, with specific emphasis on entrances impacted by I-80 overpasses.
7. Cultural Arts and Recreational Facilities Improvements		
Public Amenities	Merged Project Area	Funded the construction of public amenities to help revitalize commercial and industrial areas
	10-A Downtown	Provided \$3 million in funding to assist renovation of the Winters Building/East Bay Center for the Performing Arts.
8. Housing		
	8-A Hensley	Chesley Mutual Housing: Constructed 30 mutual housing units for households at or below 60 percent AMI. Trinity Plaza: Constructed 66 senior housing units for seniors at or below 60 percent AMI.
	10-A Downtown	Metrowalk: Constructed 132 units of housing, including townhouses and live-work units, as Phase I of the Transit Village project.
	10-B Nevin Central Richmond	Easter Hill Homes: Replaced 300 units of dilapidated public housing with a mixed-use neighborhood of townhouses, duplexes, single family homes and open space Pullman Point: Substantial rehabilitation of 199-unit apartment complex, with 121 affordable to very low income and 77 to low income households.

Source: Richmond Community Redevelopment Agency.

3. Areas No Longer Blighted

A portion of the Merged Project Area is no longer blighted as a result of both the implementation of the redevelopment program and private investment stimulated, in part, by public investment in the area. Figure II-1 highlights the areas no longer blighted, which include the residential areas within the 11-A Harbor Project Area, also known as Marina Bay, and the 3-A Galvin Project Area.

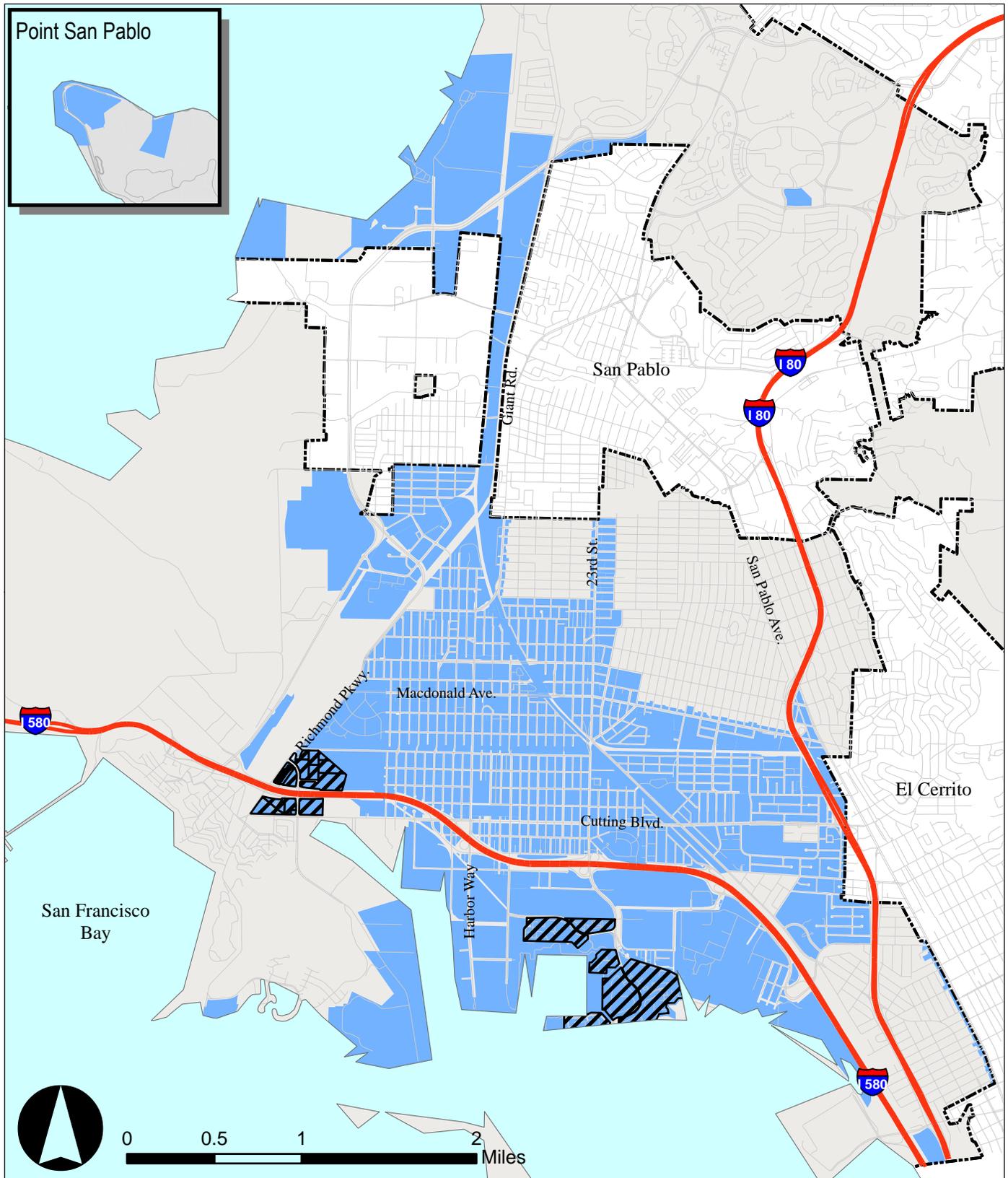
At the time the 11-A Harbour Project Area was designated for redevelopment in 1975, blighting conditions found included deteriorated and dilapidated buildings, inadequate public facilities and defective design. While some of these conditions still exist in other parts of 11-A Harbour, the southern portion of the Project Area surrounding the Richmond Marina has been successfully redeveloped with a mix of residential and commercial uses from the former Kaiser shipyards.

At the time of plan adoption in 1955, blighting conditions in the 3-A Galvin Project Area included defective design and physical construction, faulty interior arrangements and exterior spacing, overcrowding and inadequate provisions for ventilation, light, sanitation, open spaces and recreation facilities. Since 1999, when 3-A Galvin was last amended, the area has undergone significant development and remediation of previously existing blighting conditions. The Agency supported street and infrastructure improvements, such as extension of Standard Avenue and construction of local streets to achieve efficient subdivision and development, as well as street realignment and improvements to ameliorate the negative impacts of the I-580 construction and allow development to occur on underutilized parcels. Currently, several industrial, warehouse, office and other commercial uses are located in the area.

Some areas within the Merged Project Area have been improved and specific parcels in these areas may no longer be blighted. However, these areas will continue to need and benefit from redevelopment assistance to alleviate remaining blighting conditions. For example, the development of the Macdonald 80 Shopping Center modernized outdated structures and alleviated both physical and economic blighting conditions within the parcels that comprise the Shopping Center. Continued streetscape improvements, signage improvements and other redevelopment activities, however, will further encourage the revitalization of business near the Macdonald 80 Shopping Center.

While portions of the Merged Project Area are no longer blighted, they are not precluded from receiving redevelopment assistance and will still benefit from area-wide projects undertaken by the Agency, including circulation and other public improvements.

Figure II-1
Areas No Longer Blighted



-  Areas No Longer Blighted
-  Merged Project Area
-  City of Richmond

Seifel
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D. Remaining Physical Blighting Conditions

This section describes the current physical blighting conditions present in the Merged Project Area.

Two physical blighting conditions contribute to remaining blight in the Merged Project Area. They are:

1. Unsafe and Unhealthy Buildings
2. Conditions Hindering the Viable Use of Buildings or Lots

The presence of these conditions, taken together, indicates that significant physical blight remains throughout the Merged Project Area.

1. Unsafe and Unhealthy Buildings [33031(a)(1)]

Indicators of unsafe and unhealthy buildings are evident in the Merged Project Area. These include generally dilapidated and deteriorated buildings as well as buildings vulnerable to specific seismic hazards. The advanced age of many buildings in the Merged Project Area puts them at higher risk for unsafe and unhealthy conditions, and they tend to quickly fall into disrepair when owners neglect to perform ongoing maintenance. According to recent data, building-related code violations are also present throughout the Merged Project Area. The Unsafe and Unhealthy Buildings section of this chapter discusses the following topics:

- Seismic Vulnerability
 - Adverse Soil Conditions and Liquefaction
 - Building Age and Earthquake Risk
 - Unreinforced Masonry Buildings
 - Other Seismically Vulnerable Building Types and/or Construction Practices
 - Cost of Reducing Impact of Earthquake Hazards in Merged Project Area
- Dilapidation and Deterioration
 - Building Age and Dilapidation
 - Building-Related Code Violations
- Lead Paint Hazards

a. Seismic Vulnerability

Significant earthquake hazards affect the Merged Project Area, including nearby earthquake faults and a high probability of future earthquakes. The 1997 Uniform Building Code locates Richmond and the entire Bay Area in Seismic Risk Zone 4, an area expected to experience maximum magnitudes and damage in the event of an earthquake. According to the April 2008 U.S. Geological Survey Fact Sheet, the probability of at least one major 6.7 magnitude or greater earthquake capable of causing widespread damage striking somewhere in the San Francisco Bay Area before 2037 is 63 percent.⁶

⁶ U.S. Geological Survey, "Forecasting California's Earthquakes – What Can We Expect in the Next 30 Years," (Accessed via website - <http://pubs.usgs.gov/fs/2008/3027>).

A portion of the North Hayward Fault runs through the eastern portion of Richmond. The State Mining and Geology Board has established a Special Studies Zone in Richmond per the Alquist-Priolo Special Study Zones Act that was created to delineate zones encompassing all active fault traces.⁷ There have been two major earthquakes along the fault, in 1836 and 1868, with magnitudes greater than 7.0 on the Richter scale. This fault is the most hazardous system in the Bay Area, with a likelihood of 31 percent for a magnitude 6.7 or higher earthquake in the next 30 years. Major activity along the fault is likely to cause extensive structural damage in the region.⁸

The San Andreas Fault, California's longest and most active fault, is located approximately 15 miles west of Richmond. A significant earthquake along this fault could result in severe damage in Richmond.⁹ The 1906 and 1989 earthquakes were produced by the San Andreas Fault, which has a 21 percent probability of generating another earthquake with a magnitude 6.7 or higher in the next 30 years.¹⁰

An earthquake along the Calaveras Fault, which extends to the southeast of the Merged Project Area, would also affect the Merged Project Area. This fault has experienced four moderate earthquakes since 1980 and has a seven percent probability of generating an earthquake with a magnitude 6.7 or higher in the next 30 years.

Figure II-2 shows the known earthquake faults located near the Merged Project Area and also indicates earthquake probabilities.

Earthquake shaking scenarios were mapped by the Association of Bay Area Governments (ABAG) Earthquake program in June 2004.¹¹ The following levels of shaking severity were found for the Merged Project Area:

- North Hayward fault, magnitude 6.5
In the event of an earthquake on the North Hayward fault of this magnitude, ground shaking in the Merged Project Area would range from strong (Level VII) to very violent (Level X). Areas located in the southern parts of the Merged Project Area that are closer to the San Francisco Bay would experience the most intense ground shaking, with mostly violent (Level IX) and large sections of very violent movement.
- San Andreas fault, magnitude 7.9 (1906 quake)
In the event of an earthquake of the San Andreas Fault of this magnitude, ground shaking in the Merged Project Area would range from moderate (Level VI) to violent. However, a majority of the Merged Project Area, particularly in the low-lying southern and western sections, would expect to experience very strong and violent ground shaking.

⁷ Richmond General Plan Technical Appendix, Volume Two, City of Richmond Planning Department, August 1994, p. B-8.

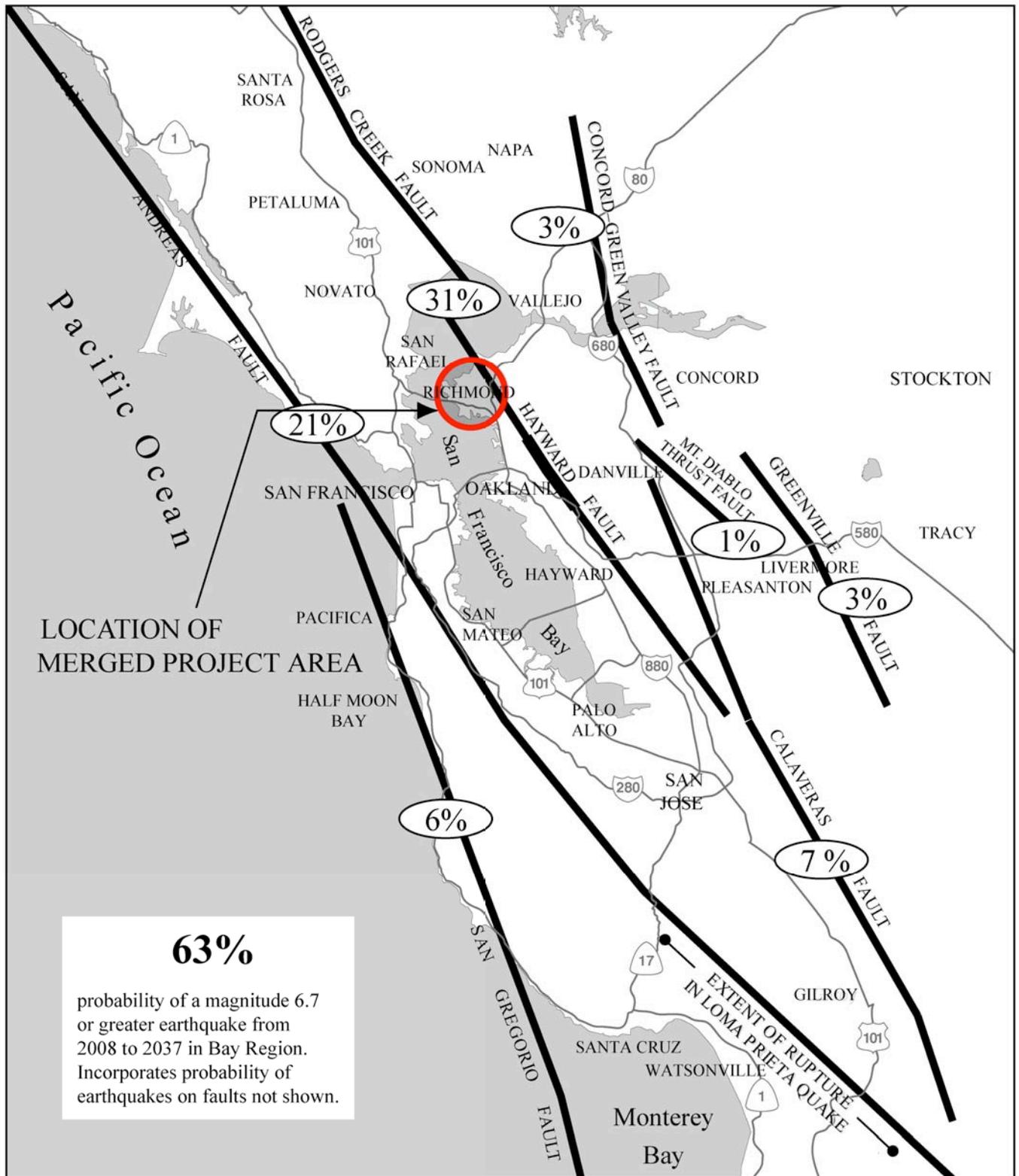
⁸ U.S. Geological Survey, "Forecasting California's Earthquakes – What Can We Expect in the Next 30 Years," (Accessed via website - <http://pubs.usgs.gov/fs/2008/3027>).

⁹ Richmond General Plan Technical Appendix, Volume Two, City of Richmond Planning Department, August 1994, p. B-9.

¹⁰ U.S. Geological Survey, "Forecasting California's Earthquakes – What Can We Expect in the Next 30 Years," (Accessed via website - <http://pubs.usgs.gov/fs/2008/3027>).

¹¹ Association of Bay Area Governments, Earthquake Program 2004.

**Figure II-2
Earthquake Faults and Probabilities
San Francisco Bay Region**



% Probability of magnitude 6.7 or greater earthquakes before 2037 on indicated fault.

Source: U.S. Geological Survey Working Group on California Earthquake Probabilities, 2008.

Twenty Miles



Adverse Soil Conditions and Liquefaction

The severity of seismic shaking is influenced by a number of factors, including the duration and intensity of the ground shaking or earthquake, the proximity of the site to the location of the earthquake, and the type of geologic materials underlying the site.

The majority of land in the Merged Project Area is in a coastal lowland area that generally consists of deep alluvium soils on top of Franciscan assemblage, a rock formation of over 50,000 feet of thickness that can offer ground stability when relatively unweathered. Alluvium is a mixture of stiff clays, silts, gravel and sands. The remainder of the Merged Project Area, a small portion along its western side, lies both in the coastal lowland area described above and in an area underlain by Bay mud. Bay mud provides very little load-bearing strength and any small loading applied on this soil can cause long-term ground settlement.¹² Differential settlement can damage building foundations, disturb underground utilities and cause settlement in streets and roads. This condition is of particular concern in areas that have not previously supported structures and where new structures would place heavier loads than existed in the past.

Furthermore, with its abundance of unconsolidated and sandy soils near existing and filled stream channels and flood plains, the majority of the Merged Project Area is at risk of liquefaction, the loosening of soils and the weakening of ground due to water saturation.¹³

Earthquakes often result in liquefaction, which exacerbates future earthquake damage to existing buildings and infrastructure. In the process, the soil, if not confined, acquires mobility sufficient to permit both horizontal and vertical movements. The soil may become like quicksand and have little bearing strength. It may cause differential settlement, sliding along liquefied layers and/or cause buildings and structures to tilt, subside and move laterally.¹⁴ In the event of an earthquake, risk of liquefaction greatly increases the risk of damage to existing buildings.

Soils most susceptible to liquefaction are Bay fill, Bay mud and unconsolidated alluvium. The majority of the Merged Project Area sits in an area underlain by alluvium with a thickness of 50 feet or less, which demonstrates moderate to high susceptibility of liquefaction. The western edge of the Merged Project Area and most of the land to the north demonstrate high to very high susceptibility, while the western portion of the Merged Project Area, along the northern shoreline of the Point San Pablo area, demonstrates very high susceptibility.¹⁵

Building Age and Earthquake Risk

Building age reflects design and construction standards of the time, and can be a contributing factor to a building's safety. The age of a building also reflects changes in regulation and health standards that have evolved throughout the years. As stated in the Richmond Municipal Code, the Uniform Building Code (UBC) is used as the standard for building construction within the city. The UBC, updated every three years, underwent major changes in seismic standards during the

¹² Richmond General Plan Technical Appendix, Volume Two, City of Richmond Planning Department, August 1994, p. B-4 - 5.

¹³ Association of Bay Area Governments website, <http://www.abag.ca.gov/bayarea/eqmaps/liquefac/introduc.html>.

¹⁴ Richmond General Plan Technical Appendix, Volume Two, City of Richmond Planning Department, August 1994, p. B-10.

¹⁵ Ibid., p. B-10.

1950s and 1970s, in response to major earthquake incidences around the country and subsequent building technology improvements.

Unless retrofitted, structures built prior to the adoption of the 1955 edition of the UBC are more susceptible to earthquake damage. As discussed above, older buildings in earthquake zones can be considered unsafe. Conditions commonly found in such buildings include inadequate foundations, a lack of adequate foundation connections, informal and substandard construction, weak cripple walls, dry rot, termite damage, or poor design.

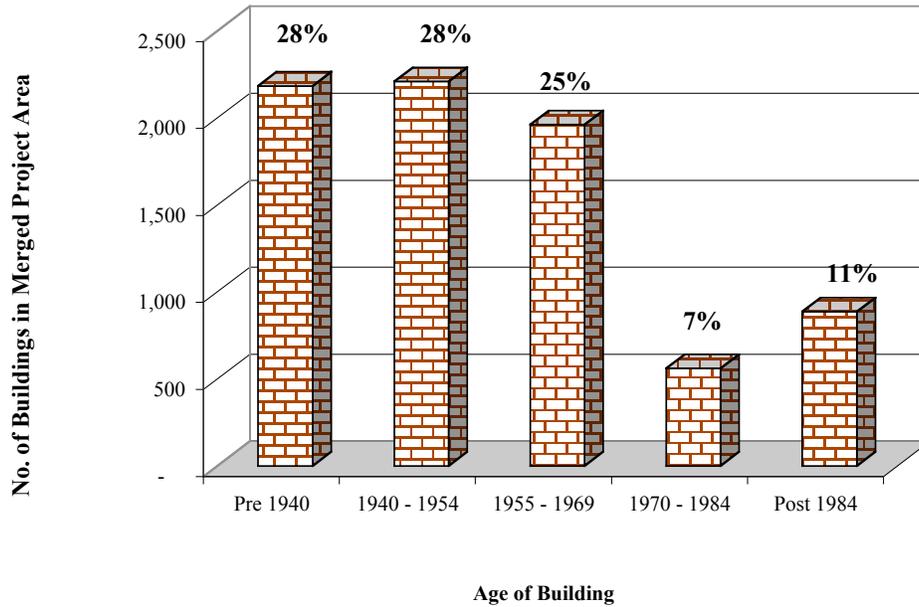
According to data from the Contra Costa Assessor's Office, over 56 percent of buildings in the Merged Project Area were built prior to the adoption of the 1955 UBC.^{16, 17} Structures built prior to the 1955 UBC are more susceptible to earthquake damage, unless adequately retrofitted. Conditions commonly found in such buildings include inadequate foundations and foundation connections, informal or substandard construction, weak cripple walls, dry rot or termite damage, or poor design. For example, numerous housing developments constructed during the World War II era, particularly in the 8-A Hensley and 10-B Nevin Project Areas, used construction methods and materials not up to current building standards, making them particularly vulnerable to seismic activity.

Furthermore, buildings constructed prior to 1970 would not meet current design provisions for earthquake forces, and thus, an additional 25 percent of buildings in the Merged Project Area may also be at a greater risk. The Field Survey documented numerous buildings in the Merged Project Area that exhibit the characteristics of older buildings that enhance seismic vulnerability identified above (including, for example, inadequate foundations, a lack of adequate foundation connections, weak cripple walls, dry rot or termite damage, poor design, or substandard construction). These conditions, often found in older buildings, make the buildings potentially unsafe in the event of an earthquake. Graph II-1 summarizes the distribution of buildings by age for the Merged Project Area. In total, over 81 percent of buildings in the Merged Project Area are likely to be unsafe in the event of a major earthquake. (Refer to Section D.1.a for further information on earthquake hazards.)

¹⁶ Calculation does not include areas no longer blighted.

¹⁷ Assessor's data for the Housing Authority's units in Nystrom Village and the Atchison Village units did not have age of building information. However, these units are known to have been constructed in the early 1940s.

**Graph II-1
Age of Building as an Indicator of Seismic Susceptibility**



Source: Contra Costa County Assessor's Office, Seifel Consulting Inc.

Unreinforced Masonry Buildings

Unreinforced masonry buildings and buildings constructed in the early to mid-1900s would be expected to incur the greatest structural damage during an earthquake. Unreinforced masonry buildings (URMs), typically constructed of brick, hollow tile, or concrete block, have proven to be particularly hazardous during an earthquake. The Field Survey identified several URM buildings in the Merged Project Area, as shown below. (Refer to Appendix B for additional representative examples).

In 1998, ABAG, in conjunction with the American Society of Home Inspectors (ASHI), surveyed single-family homeowners in 17 communities on the rate of earthquake retrofits. ABAG sent out approximately 6,500 surveys to owners of single-family homes built prior to 1960 in selected census tracts within 14 cities and 3 unincorporated areas of the Bay Area. The census tracts selected had a large number of homes built prior to 1960. Census data on income, education level and linguistic isolation were then taken into account. The



Unreinforced masonry building with cracked walls.

census tracts chosen were to represent a wide variety of these variables. Roughly 28 percent of surveys with valid addresses were returned. Following review of the ABAG homeowner survey data, the ASHI collected data of members who inspected homes built prior to 1960. This data was used to estimate, in conjunction with the ABAG homeowner survey, the percentage of homes that have been adequately retrofitted and those that have had some retrofit work done.

According to ABAG and ASHI, approximately 5 percent of homes surveyed in Richmond were adequately retrofitted with an additional 30 percent partially retrofitted. Therefore 65 percent of surveyed homes were not retrofitted. Out of the communities surveyed, Richmond ranked thirteenth out of seventeen for the percentage of homes that had been adequately retrofitted.¹⁸



Partially reinforced masonry buildings.

Furthermore, in 2003, ABAG performed another study to predict the number of homes that would be rendered uninhabitable under different earthquake scenarios. The study projected that 7,686 homes in Contra Costa County would be rendered uninhabitable by a North Hayward earthquake of 6.9 magnitude. Since structural damage from earthquakes is largely dependent on density/scale of development and proximity to the fault and Richmond is the biggest and closest city to the North Hayward fault, it would likely encompass a disproportionate number of the homes decimated by a significant North Hayward fault earthquake. Factors considered in ABAG's analysis include construction type, age and lack of retrofitting of pre-1940s single-family homes.

Other Seismically Vulnerable Building Types and/or Construction Practices

Recent earthquakes in California have demonstrated that other building types can also be unsafe and hazardous during seismic events. Such buildings include aging wood frame structures with inadequate foundation connections, soft story buildings, older poured concrete buildings without adequate reinforcement, badly connected concrete tilt-up buildings, poorly engineered concrete parking structures, and informally constructed or poorly engineered buildings.¹⁹ Examples of buildings with construction types listed above were found throughout the Merged Project Area.

Cost of Reducing Impact of Earthquake Hazards in Merged Project Area

The cost of addressing the poor soil, building conditions and earthquake hazards present in many portions of the Merged Project Area would be substantial, whether in new development or rehabilitation.

¹⁸ "Preventing the Nightmare," Association of Bay Area Governments, October 1999, updated 2003, p. 8.

¹⁹ According to the Earthquake Engineering Research Institute (EERI), soft story buildings are buildings with unusually weak stories, which can easily collapse in an earthquake. The ground floor is the most common location for a soft-story, which is usually due to tuck-under parking or large commercial spaces. Many soft-story buildings collapsed in the 1989 Loma Prieta and 1994 Northridge earthquakes.

Settlements or instability can be mitigated by typical construction methods such as pre-loading, deep foundations and improvement of soil conditions. Liquefaction potential is typically mitigated by grouting, vibro-floatation, stone columns, dynamic deep compaction, deep soil mixing, and the removal and re-compaction of loose soil. ABAG estimates that seismically retrofitting a single-family home would cost approximately \$4,500.

These mitigations have significant cost implications for development or rehabilitation projects located on the various soil types found within the Merged Project Area, and may impede new development and significant rehabilitation projects. Without sufficient funds or incentives to undertake mitigations, existing conditions will continue to be unsafe and unhealthy in the case of earthquakes.

b. Dilapidation and Deterioration

As discussed above, Seifel conducted a multi-day field survey (Field Survey) of existing conditions in the Merged Project Area in August through October 2008. Based on observations conducted during the Field Survey and analysis of available data, the Merged Project Area contains a wide variety of building types, ages and conditions. A substantial number of buildings in the Merged Project Area suffer from very extensive or extensive building deficiencies. These buildings exhibit major adverse conditions, which would likely be costly to remedy.



Dilapidated and abandoned building with broken and boarded windows.

Major adverse building conditions observed in the Merged Project Area during the Field Survey include, but are not limited to: dilapidation; dry rot or termite damage; poor alignment or subsidence; brick, missing, or cracked foundation; informal or substandard construction; and fire damage.



Abandoned and dilapidated building with deteriorated walls, dry rot and boarded windows.

A strong relationship exists between the deteriorated or dilapidated condition of buildings observed in the Field Survey and health and safety problems in these same buildings. Adverse conditions such as weak foundations, poor alignment, water damage, and dry rot result in structural vulnerability, especially in earthquakes (see discussion below). Deteriorated roofs, windows and walls promote mold growth in wet conditions.

Poor building conditions contribute to respiratory health issues. A study sponsored by the Centers for Disease Control and Prevention has linked indoor mold to asthma and other respiratory problems. According to the Asthma and Allergy Foundation, over half of Americans with asthma suffer from the allergic form of the disease, which is triggered by exposure to allergens such as mold.²⁰ Mold is a result of excess water that can enter a building in many ways. Deteriorated roofing, windows and walls are just a few ways in which water can enter a building. These conditions, as well as exterior mold, were documented in the Merged Project Area.



Abandoned and dilapidated building with broken and boarded windows.

The high number of asthma hospitalizations in the Merged Project Area also reflects the presence of mold and other allergens. According to California Breathing, a program of the California Department of Public Health’s Environmental Health Investigations Branch, asthma hospitalizations rates are higher for the 94801 zip code, which is completely within the Merged Project Area, than Contra Costa County as a whole. According to California Breathing, a program of the California Department of Public Health that focuses on asthma research and education, and the California Office of Statewide Health



Vacant residential structures with extensive deterred maintenance and broken and boarded windows.

Planning, lifetime asthma rates are higher in Contra Costa County than the State. Further, 2006 annual asthma hospitalization rates for children aged 0-14 were higher in the 94801 zip code. According to the 2006 Contra Costa County Asthma Profile, published by California Breathing, 15.4 per 10,000 residents aged 0-14 in the 94801 zip code were hospitalized for asthma compared to 14.6 and 11.9 per 10,000 residents in Contra Costa County and the State of California, respectively.^{21,22}

On their own, buildings exhibiting major adverse conditions, such as the ones listed above, are unsafe or unhealthy to occupy as they put residents or employees at risk from disease, earthquake, other natural disasters, and/or a combination of these factors. Figure II-3

indicates the location of buildings in the Merged Project Area that exhibited signs of suffering from major adverse building conditions, observed during the Field Survey. Buildings exhibiting major adverse conditions were found within most Constituent Project Areas of the Merged Project Area. However, as Figure II-3 indicates, a significant number of buildings with major adverse conditions are located in the 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, and 12-A North Richmond Project Areas of the Merged Project Area.

²⁰ “Indoor Mold, Building Dampness Linked to Respiratory Problems and Require Better Prevention,” The National Academies Institute of Medicine press release, May 25, 2004.

²¹ “Contra Costa County Asthma Profile,” California Breathing, July 2008.

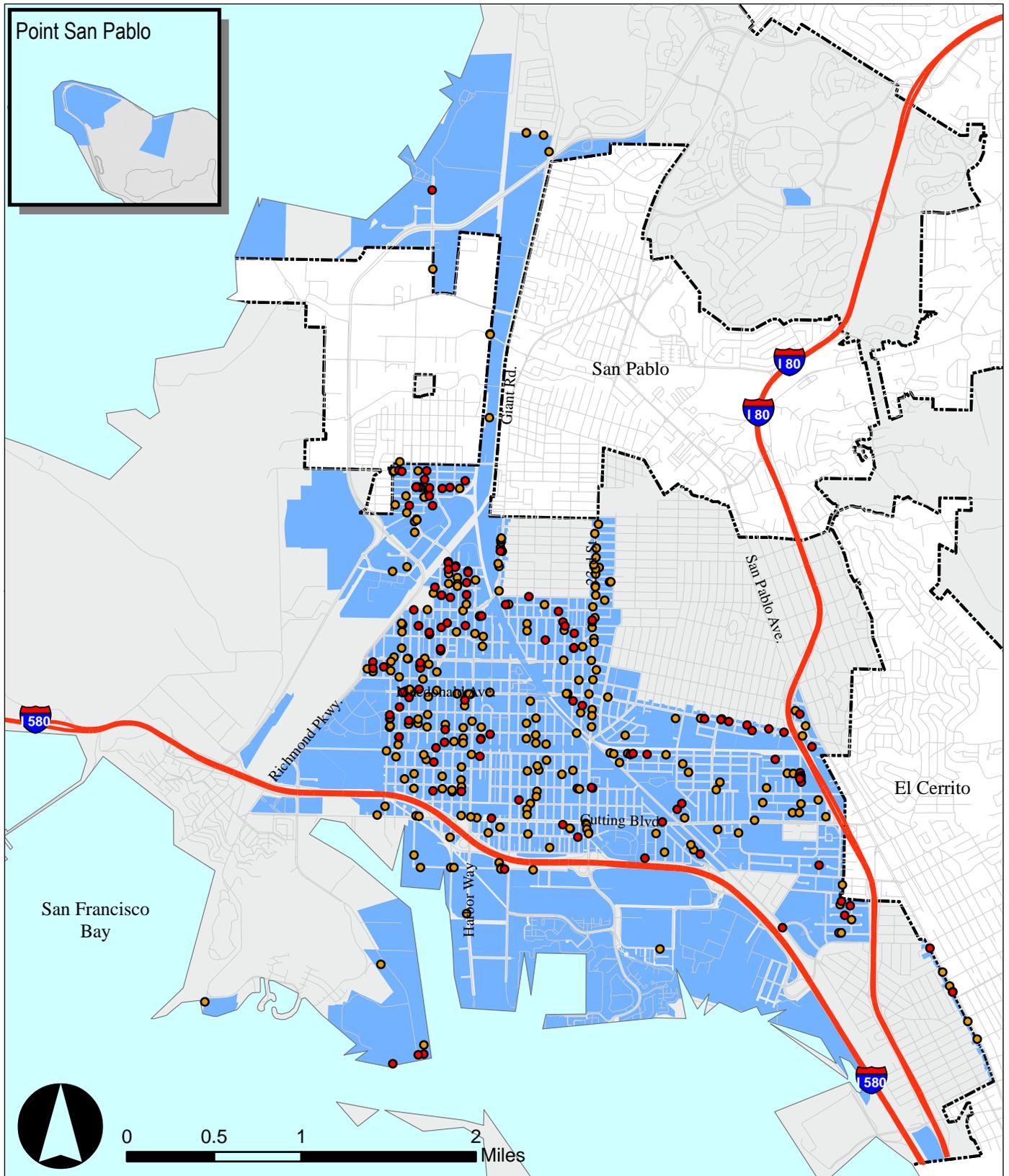
²² California Office of Statewide Health Planning and Development (OSHPD), 2008.

Other adverse building conditions observed during the Field Survey of the Merged Project Area include, but are not limited to: broken and boarded windows; missing, inadequate or deteriorated roofing; deteriorated, cracked or poorly repaired walls; extensive deferred maintenance; faulty wiring; and substandard or obsolete design. In combination with each other, or paired with major adverse building conditions, other adverse building conditions present a significant risk to the health and safety of building occupants. For example, deteriorated roofs are more likely to leak and promote mold growth in wet conditions, potentially leading to serious illnesses including asthma and other respiratory problems. Water damage can also weaken structures and make them more structurally vulnerable to earthquakes. Figure II-3 indicates the location of buildings in the Merged Project Area that exhibited signs of suffering from two or more other adverse building conditions. Examples of buildings exhibiting two or more other adverse physical conditions were found within most of the Constituent Project Areas of the Merged Project Area. However, as Figure II-3 indicates, a significant number of these buildings are located in the 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, and 12-A North Richmond Project Areas.



Extensive deferred maintenance, dry rot on siding and roof, peeling paint and overgrown landscaping.

Figure II-3
 Location of Buildings Exhibiting Unsafe and/or Unhealthy Conditions



- Buildings with Major Adverse Physical Conditions (114)
- Buildings with Multiple Adverse Physical Conditions (269)
- Merged Project Area
- ▭ City of Richmond

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A substantial number of buildings in the Merged Project Area show signs of abandonment. Abandoned buildings are those that exhibit no sign of residential or commercial occupancy and are often in states of extensive physical disrepair with no evidence of steps taken toward abatement. Characteristics of abandoned buildings observed during the Field Survey include dilapidation, boarded doors or windows, broken windows, and extensive deferred maintenance. Dilapidated and abandoned buildings have a significant impact on the public health and safety, including increased risk of accidental injury, increased incidence of emotional stress, and increased incidence of high-risk behaviors.²³ Figure II-4 indicates the location of buildings in the Merged Project Area that showed signs of abandonment, as evidenced by the presence of the conditions listed above. Examples of buildings exhibiting signs of abandonment were found within most Constituent Project Areas of the Merged Project Area. However, as Figure II-4 indicates, a significant number of these buildings are located in the 8-A Hensley, 10-A Downtown, 10-B Nevin, and 12-A North Richmond Project Areas.



Extensive deferred maintenance, dry rot and severe water damage.

Building Age and Dilapidation

The Merged Project Area has buildings consisting of a wide range of ages, building types and conditions. As discussed above, a significant number of older buildings are deteriorated, dilapidated, and in some cases, abandoned. Many of these buildings have conditions that make them unsafe or unhealthy as places to live or work.

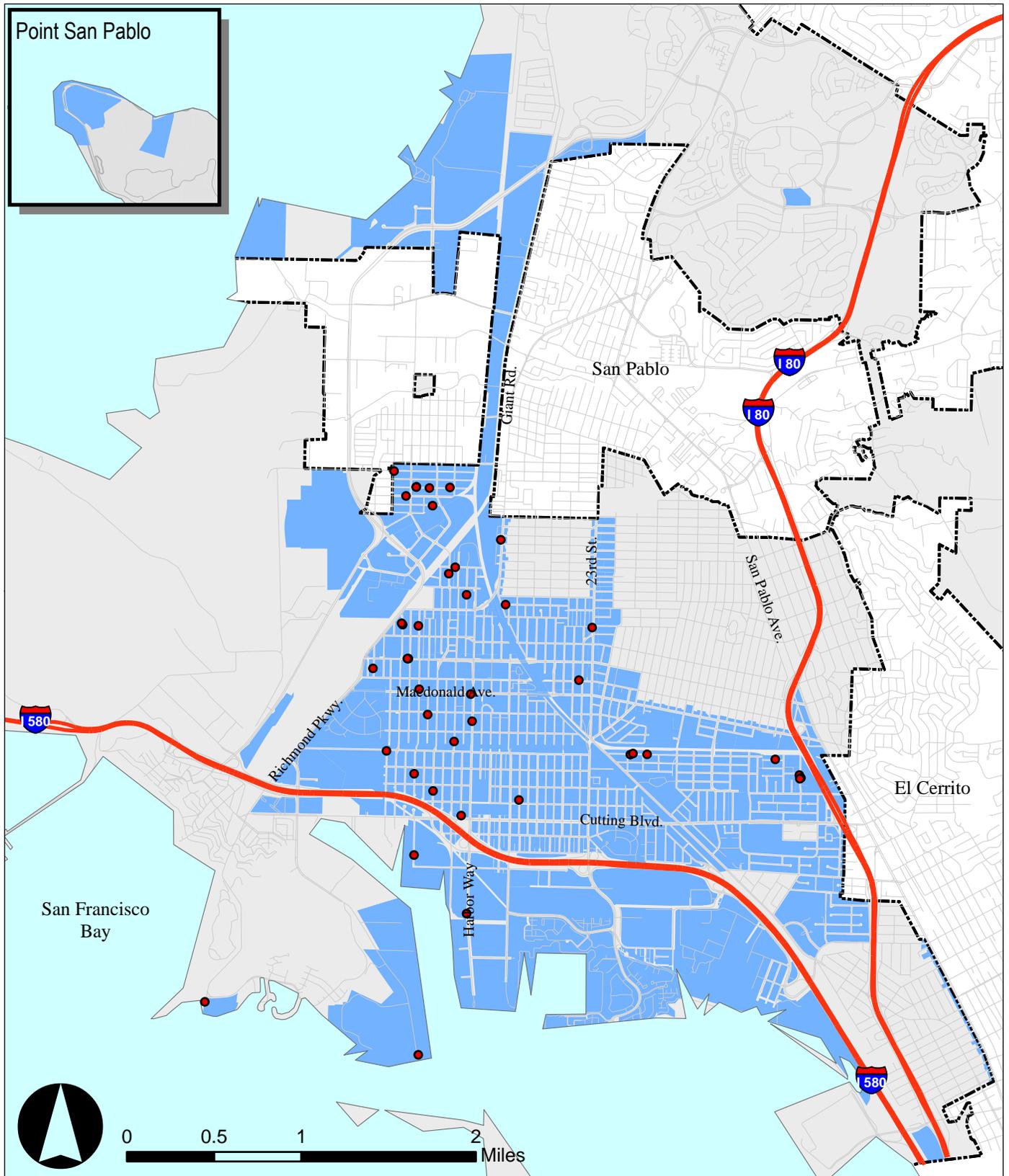


Extensive deferred maintenance, deteriorated walls and siding.

Older buildings require renovation and modernization in order to keep up with the evolving standards for a healthy and safe environment. In addition, older buildings must undergo regular maintenance to combat the effects of normal deterioration that occurs over the life of a building. A majority of buildings in the Merged Project Area tend to be older, and the Field Survey revealed that a significant number of buildings are severely deteriorated, thus indicating that the buildings have not undergone modernization or been maintained to levels that adhere to current health and safety standards. Refer to Graph II-1 for a summary of building age in the Merged Project Area.

²³ Hillemeier MM, et al., "Measuring Contextual Characteristics for Community Health," *Health Services Research* 38:6, Part II (December 2003).

Figure II-4
Location of Abandoned Buildings



Abandoned Buildings (43)
 City of Richmond

Merged Project Area

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Building-Related Code Violations

Serious building-related code violations are further evidence of unsafe and unhealthy buildings in the Merged Project Area. Building-related code violations provide a snapshot of the interior, as well as exterior, building conditions. The building-related code violations data, in conjunction with the Field Surveys of blighted buildings, indicate the presence of buildings that are unsafe and unhealthy to occupy throughout the Merged Project Area.

The City of Richmond's Code Enforcement Division (Code Enforcement) investigates citizen complaints and addresses violations of the Richmond City Code related to citizen complaints. These codes (or laws), which have been adopted by the Richmond City Council, are specifically designed to address blight and other nuisances, in an effort to maintain a safe and healthy environment for all citizens in the community. According to Chris Castanchoa, Senior Building Inspector, a large proportion of the building-related code violation complaints come from the Merged Project Area, specifically within Central Richmond and the Iron Triangle.

Code Enforcement's electronic database for open and closed cases of code violations contains data starting from March 2008. Prior to this date, Code Enforcement maintained code violation information in paper files. For the purposes of this Report, only the data that was available electronically from March through October 2008 was gathered and analyzed.

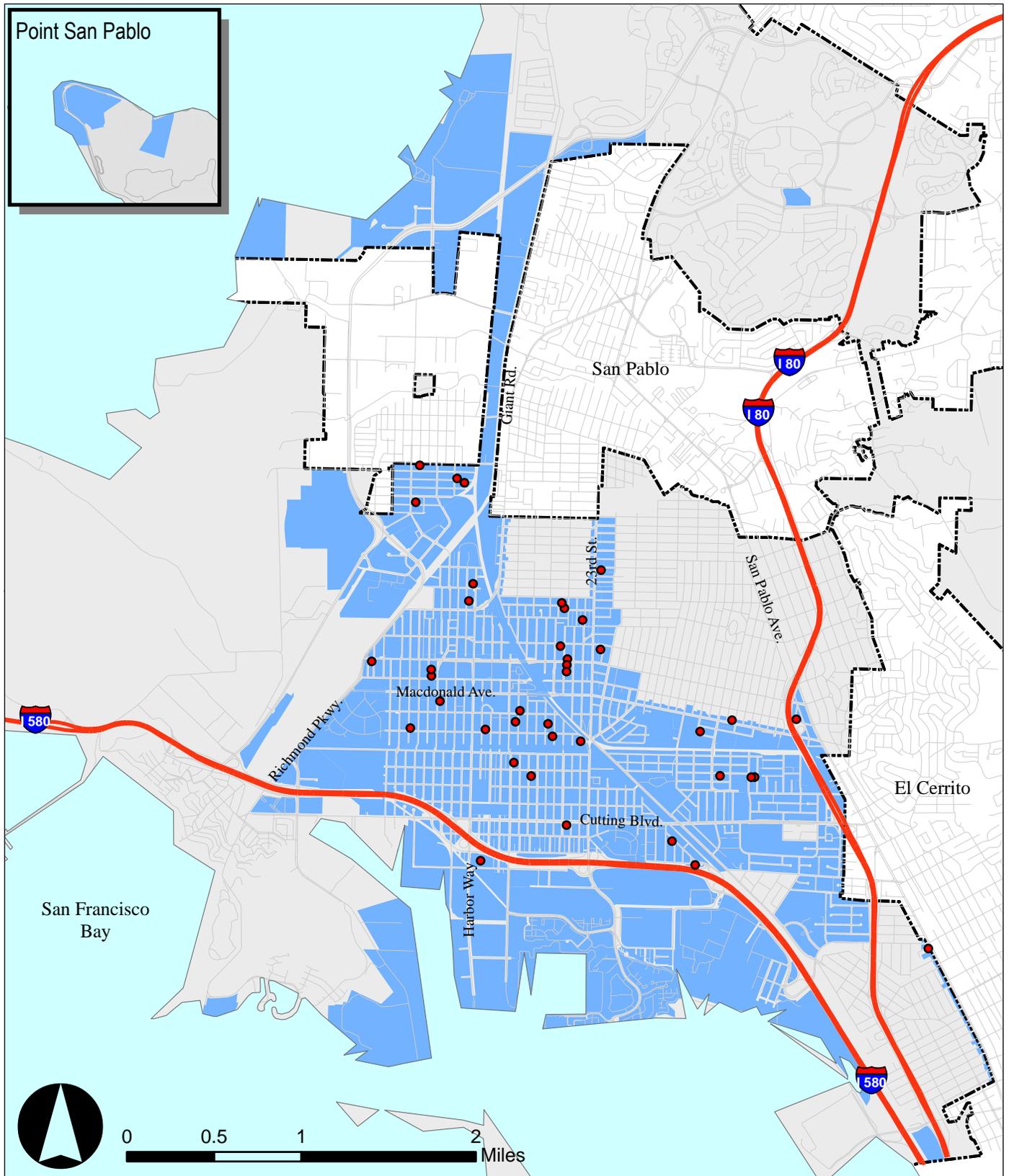
Within Richmond, approximately 830 cases were found to be open as of the end of October 2008. Cases that were deemed abated or unfounded were not included in the analysis. Of the open cases, approximately 510 cases or 61 percent were in the Merged Project Area. Of these cases, 45 complaints were related to building health and safety issues (compared to 96 for the entire City). The locations of the building-related code violations are shown in Figure II-5.

Common building-related code violations reported include construction without the use of a permit, illegal conversions, building code violations, uniform housing code violations, electrical and plumbing code violations, and fire hazards, among others.²⁴ All of the building-related code violations reported in the Merged Project Area pose a health hazard to the people who live and work in these buildings. In addition, nonpermitted work and illegal conversions often occur together and reflect construction activities without oversight from the Richmond Planning and Building Services Department.

The building-related code complaints and violations found in the dataset provided by Code Enforcement and used in this analysis likely do not reflect the full extent or severity of building-related code problems in the Merged Project Area. As discussed above, the dataset used in the analysis is from a limited timeframe comprising of eight months of data. The complaint-based system of inspections and data tracking also tends to underreport problems to the extent that residents are reluctant to report potential violations by their landlords or neighbors. Given budget constraints, enforcement officers usually inspect a building only when a complaint is received, and the department does not have the resources to actively seek out dangerous building conditions. The reported data used with this analysis, however, further support the Field Survey's finding that unsafe and unhealthy buildings are pervasive throughout the Merged Project Area.

²⁴Building and Uniform Housing code violations are violations of a set of standards designed to protect the health, safety and general welfare of the public, as dictated by the most recent edition of the Uniform Building Code and Uniform Housing Code published by the International Conference of Building Officials.

Figure II-5
Locations of Building-Related Code Violations



- Building-Related Code Violations (45)
- Merged Project Area
- ⋯ City of Richmond

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c. Lead Paint Hazards

The main predictors and risk factors for childhood lead poisoning are age of housing and poverty.²⁵ As previously discussed, a significant percentage of Richmond's residential buildings were built before 1978, when lead paint was used in many buildings within the United States, and are therefore at high risk for lead contamination. Lead paint in older homes is the major cause of lead poisoning, an elevated level of lead in the blood that can result in many health problems. Children under six years of age are the most susceptible population to lead poisoning. According to the National Safety Council, "even very low levels of exposure can result in reduced IQ, learning disabilities, attention deficit disorders, behavioral problems, stunted growth, impaired hearing, and kidney damage. At high levels of exposure a child may become mentally retarded, fall into a coma, or die from lead poisoning." Although children are the most at risk, adults can also be affected by lead poisoning. In adults, lead may cause elevated blood pressure, fertility problems, nerve disorders, muscle and joint pain, irritability, and memory or concentration impairment. As lead paint deteriorates it may contaminate household dust and the soil around the house. Even small amounts of lead paint are enough to raise blood levels.²⁶

In the early 1970s, reforms on the use of lead paint began to be implemented, and in 1978 the Consumer Product Safety Commission issued a ban on the use of lead based paint in the United States. Buildings constructed prior to 1978 are considered at high risk and houses constructed prior to 1960 are at very high risk for the presence of lead paint.²⁷ In the Merged Project Area, 85 percent of residential buildings were constructed prior to 1978, and 67 percent of residential buildings were constructed prior to 1961 (compared with 48 percent of residential buildings constructed prior to 1961 citywide) as shown in Graph II-2. The extensive deterioration of many of these older buildings exacerbates the threat of lead paint poisoning.

According to the Contra Costa Public Health Department, Richmond has the highest number of lead poisoned children of any city in Contra Costa County and accounts for more than one third of all lead poisoning cases in the County.²⁸ Within the Merged Project Area, the Iron Triangle (Census Tracts 3760 and 3770) has the greatest concentration of elevated blood level cases in the county, and the northern portion of the Iron Triangle (Census Tract 3760) has the highest total number of cases in Richmond.²⁹ A significant portion of Census Tracts 3760 and 3770 lies within the Merged Project Area.

²⁵ "Childhood Lead Poisoning in Richmond – Select Census Tracts," Contra Costa County Health Services memo, February 2005.

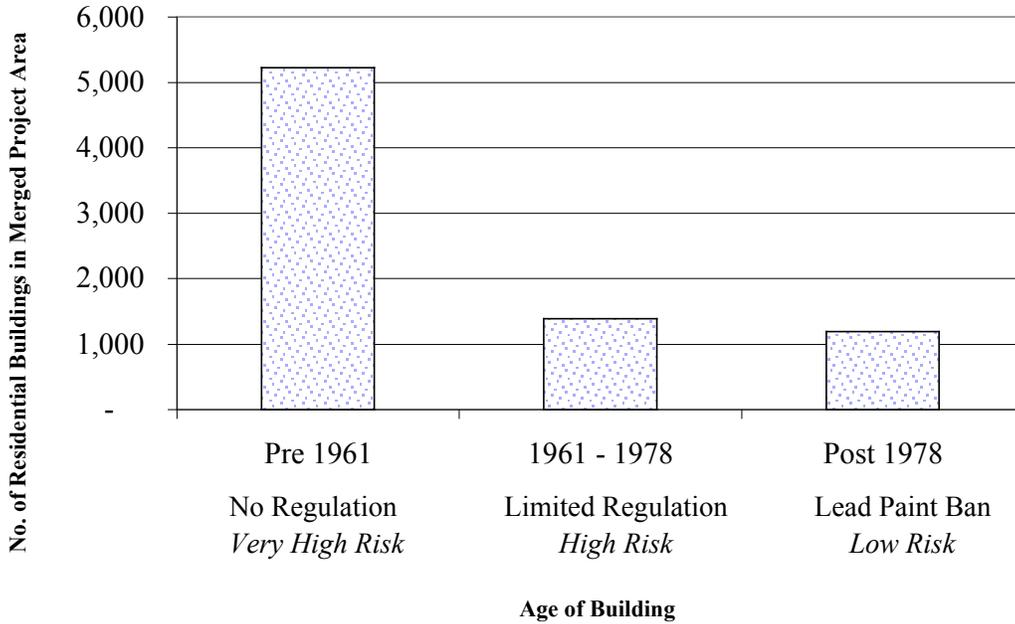
²⁶ National Safety Council, www.nsc.org/library/facts/lead.htm.

²⁷ Ibid.

²⁸ "Childhood Lead Poisoning in Richmond—Select Census Tracts," Contra Costa County Health Services Memo, February 2005.

²⁹ The Iron Triangle neighborhood is bordered on the west side by Garrard Boulevard and the Santa Fe railroad tracks, on the eastern edge by Portola Avenue and the BART station and on the southern end by Ohio Avenue and the former railroad right of way. A significant portion of the Iron Triangle is included in the Merged Project Area.

**Graph II-2
Lead Paint Risk and Age of Residential Buildings**



Source: Contra Costa County Assessor's Office database provided by the City of Richmond.

2. Conditions Hindering the Viable Use of Buildings or Lots [33031(a)(2)]

Buildings and lots within the Merged Project Area exhibit conditions that prevent or substantially hinder their viable use or capacity. Several sections of the Merged Project Area are hindered by circulation and accessibility deficiencies including unsafe roadways, railroad lines and other barrier conditions. Other conditions hindering the viable use of buildings or lots include obsolete industrial building design.

a. Impeded Accessibility and Circulation

As shown in Figure II-6 and II-7, sections of the Merged Project Area suffer from poor accessibility and unsafe roadway conditions due to the presence of railroad lines. Active and defunct railroad lines and freeways are the main contributors to inadequate accessibility and circulation in and around the Merged Project Area. The Burlington Northern - Santa Fe (BNSF) and the Union Pacific (UP) railroad lines cut through the central and southern portions of the Merged Project Area, impeding pedestrian and vehicular circulation. Figure II-6 highlights railroad crossings in the southern portion of the Merged Project Area, which includes the 6-A Harbor Gate and 11-A Harbour Project Areas. Many of these railroad crossings are active and impair vehicular and pedestrian circulation on several major thoroughfares in the Merged Project Area, including Cutting Boulevard, Harbor Way South, Marina Way South and Marina Bay Parkway. The BNSF and UP railroad lines service businesses within the Port of Richmond

and serve the regional transportation network in the East Bay and beyond. The public safety issue of long trains preventing access through portions of the Merged Project Area, particularly the Marina Bay, is a concern of the Richmond City Council.

Figure II-7 highlights barrier conditions and the lack of roadways in the central portion of the Merged Project Area, which includes 8-A Hensley, 10-A Downtown, 10-B Nevin and 12-A North Richmond. In the central portion of the Merged Project Area, local and regional transportation networks impair access within and around the area. The area is bordered on two sides by major transportation routes: the John T. Knox Freeway (I-580) to the south and the Richmond Parkway (Garrard Boulevard) to the west. In addition, the UP/Amtrak and BART railroad lines border the western edge of Merged Project Area. These conditions act as barriers to the area and cut off access to the central Richmond area from all directions. Access into the central Richmond area from the east is limited to a couple of streets including Macdonald Avenue and Barrett Avenue. Within the central portion of the Merged Project Area the defunct Santa Fe railroad line runs parallel to and just north of Ohio Avenue. The former railroad line was converted to a multi-use pedestrian and bicycle path in 2007. Of almost all the 40 blocks that intersect the former railroad line, only ten streets go through, impeding north/south travel. Several parcels along Ohio Avenue have not been developed partially due to poor accessibility to and around the area.

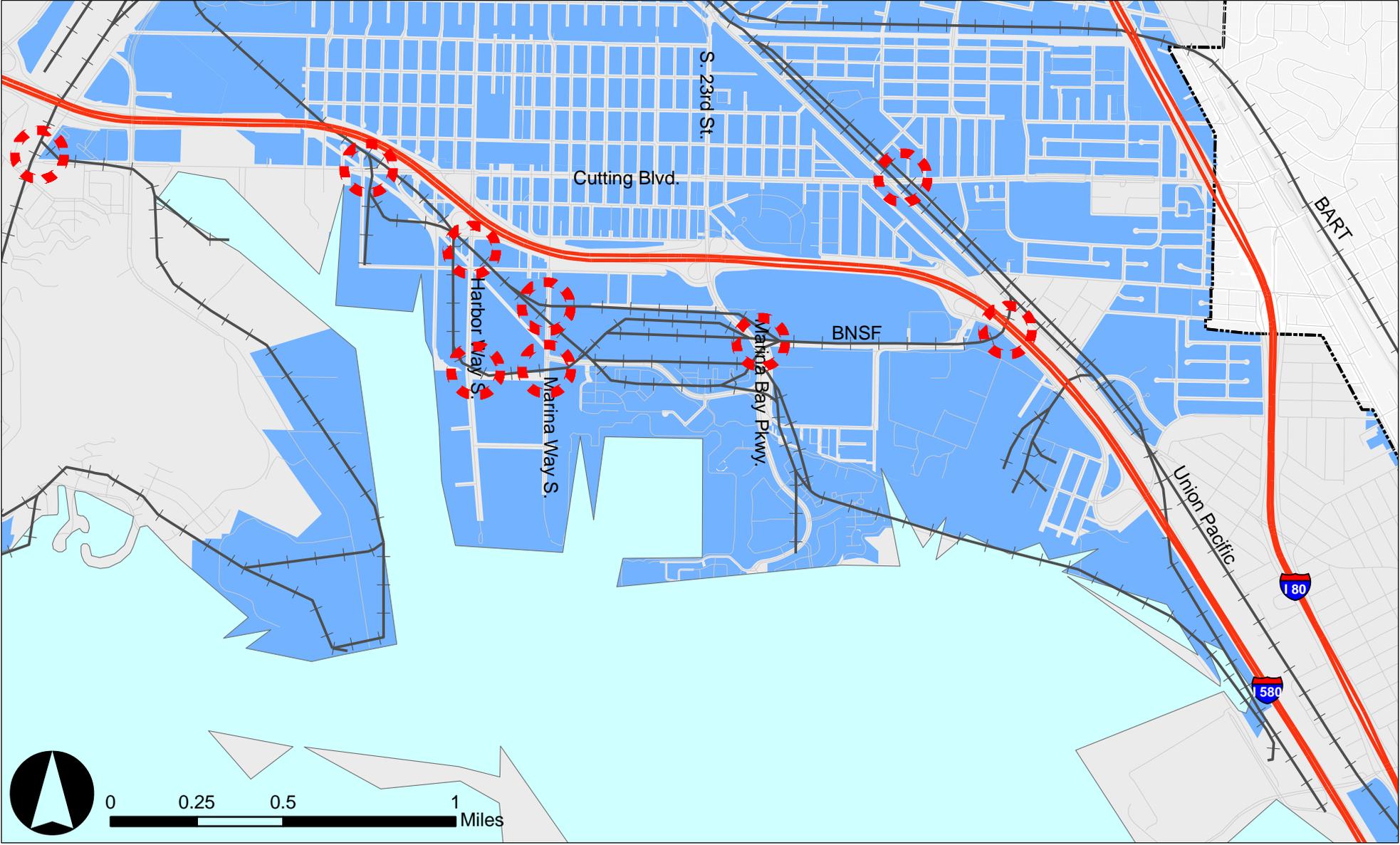
Additionally, two large parcels in the central portion of the Merged Project Area do not have streets thoroughfares. These include a swath of industrial land between the Richmond Parkway and Castro Street, just south of Hensley Street, and sections of the Merged Project Area west of Richmond Parkway.

The accessibility and circulation deficiencies make portions of the Merged Project Area less desirable for development and hinder the viable use of buildings or lots.

b. Obsolete Industrial Buildings

Several buildings in the Merged Project Area are functionally obsolete and do not meet current building codes. As a result, these properties are not viable for manufacturing or other uses. Examples of obsolete industrial buildings in the Merged Project Area include the former ColorStrip building at 1 Barrett Avenue in the Nevin 10-B Project Area and the former Navistar building at 830 Marina Way South in the Harbor Gate 6-A Project Area. Both of these buildings have been vacant for several years according to interviews with real estate brokers.

Figure II-6
Circulation Impediments and Impaired Accessibility - Southern Richmond

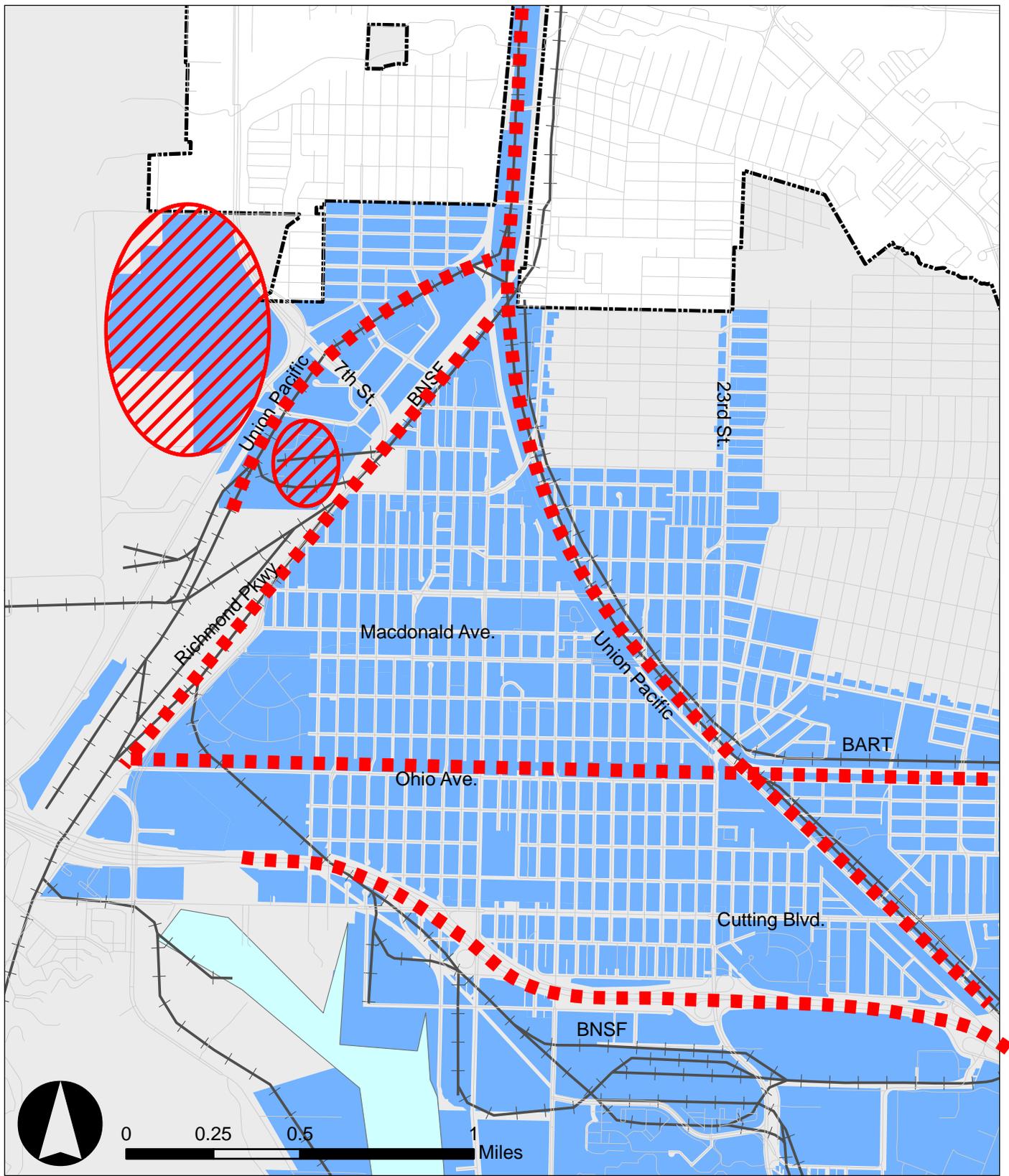


 Merged Project Area	 Railroad Lines
 City of Richmond	 Railroad Crossing

Sources: Richmond Community Redevelopment Agency, Seifel Consulting Inc.



Figure II-7
Circulation Impediments and Impaired Accessibility - Central Richmond



 Merged Project Area	 Railroad Lines	 Lack of Roadways
 City of Richmond	 Barrier Condition	Sources: Richmond Community Redevelopment Agency, Seifel Consulting Inc.



E. Remaining Economic Blighting Conditions

This section describes the current economic blighting conditions present in the Merged Project Area.

Six economic blighting conditions contribute to remaining blight in the Merged Project Area. They are:

1. Depreciated or Stagnant Property Values
2. Impaired Property Values Due to Hazardous Wastes
3. Serious Lack of Neighborhood Commercial Facilities
4. Excess of Problem Businesses
5. High Crime Rates

The presence of these conditions, taken together, indicates that significant economic blight remains in the Merged Project Area.

1. Depreciated or Stagnant Property Values [333031(b)(1)]

This section describes how property values have depreciated and are lower in the Merged Project Area, as compared with properties in the surrounding area and properties citywide. This section also discusses the greater incidence of bank-owned properties within the Merged Project Area, and the greater downward pressure these properties have put on property values compared with properties outside of the Merged Project Area. These conditions indicate economic blight, as defined in CRL Section 33031(b)(1).

a. Home Sales Prices

A residential sales analysis was performed using 2008 sales data from MDA DataQuick, a provider of real estate information. Sale prices, reported as transaction transfer values to the County Assessor were analyzed for the three zip codes that cover the Merged Project Area (94801, 94804 and 94805). They were then compared with sales that occurred outside the Merged Project Area and citywide. DataQuick summary data for the City of Richmond indicates that the median sale price for the 1,128 single-family and condominium sales in 2008 was \$189,500. This was a 55 percent decline from 2007, when the median sale price was \$420,000.³⁰

Additional DataQuick records were obtained for all sales within the zip codes that cover the Merged Project Area. The records were matched on parcel numbers and separated into sales that occurred within the Merged Project Area and those that occurred outside the Merged Project Area. The median sales price in each area was then compared with the citywide median. As Table II-4 shows, the median sales price within the Merged Project Area is approximately 12 percent below the citywide median, and is approximately 37 percent below the median sales price in the surrounding area outside the Merged Project Area. This suggests that properties within the Merged Project Area are suffering from a greater price decline, and are disproportionately driving down the citywide median home sale price.

³⁰ MDA DataQuick CA 2008 City Chart, <http://dqnews.com/Charts/Annual-Charts/CA-City-Charts/ZIPCAR08.aspx>
Accessed 4/20/2009.

**Table II-4
Comparison of 2008 Single-Family and Condominium Sales**

Area	# of Sales	Median Sale Price	Difference from Citywide Median	Percent Difference from Citywide Median
Merged Project Area	416	\$167,500	-\$22,000	-11.6%
Outside Merged Project Area^a	485	\$260,000	\$70,500	37.2%
Citywide	1,128	\$189,500	N/A	N/A

a. Sales outside of the Merged Project Area include those in zip codes 94801, 94804 and 94805 only. Sales within other zip codes of the City are not included.

Note: Median Sale Price rounded to the nearest hundred.

Source: MDA DataQuick, Seifel Consulting Inc.

Table II-5 displays a breakdown of median sales price by number of bedrooms, and shows that properties containing two or more bedrooms within the Merged Project Area were selling for much less than properties in the area surrounding the Merged Project Area in 2008. Overall, the 2008 median sales price of single family and multifamily homes in the Merged Project Area is approximately 53 percent less than the median sales price of properties outside the Merged Project Area.

**Table II-5
Comparison of Median Sales Price by Number of Bedrooms^a**

# of Bedrooms	Median Sales Price^b		Percent Difference in Median Sales Price
	Merged Project Area	Outside Merged Project Area^c	
2	\$120,000	\$232,250	-93.5%
3	\$185,000	\$272,500	-47.3%
4+	\$199,000	\$334,500	-68.1%
Any Size	\$170,000	\$260,000	-52.9%

a. Includes data for 30 multifamily properties not included in Table II-4.

b. Sample size for one-bedroom units was too small to obtain a reliable median sales price.

c. Sales outside of the Merged Project Area include those in zip codes 94801, 94804 and 94805 only. Sales within other zip codes of the City are not included.

Note: Median Sale Price rounded to the nearest hundred.

Source: MDA DataQuick, Seifel Consulting Inc.

Furthermore, as shown in Table II-6, homes within the Merged Project Area are selling for a much greater amount below assessed value as compared with homes sold outside the Merged Project Area. This finding suggests that properties within the Merged Project Area are not

holding their value as well as properties outside the Merged Project Area during the current housing market decline.³¹

**Table II-6
Comparison of Median Sales Price and Median Assessed Value^a**

Area	# of Sales	Median Assessed Value (MAV)	Median Sale Price (MSP)	MSP-MAV	MSP as Percent Difference from MAV
Merged Project Area	431	\$296,300	\$170,000	-\$126,300	-42.6%
Outside Merged Project Area^b	500	\$315,500	\$260,000	-\$55,500	-17.6%

a. Includes data for thirty multifamily properties not included in Table II-4.

b. Sales outside of the Merged Project Area include those in zip codes 94801, 94804 and 94805 only. Sales within other zip codes of the City are not included.

Note: Median Assessed Value and Median Sale Price rounded to the nearest hundred.

Source: MDA DataQuick, Seifel Consulting Inc.

b. Residential Foreclosures

Significant costs for neighborhoods and cities result from foreclosures and Real Estate Owned (REO) properties. REO properties typically are vacant, and, if not secured and maintained properly, can lead to significant blight in the neighborhoods where they are concentrated.³² Research has shown that both foreclosure filings and vacant properties lead to declines in the values of surrounding properties.³³

A foreclosure analysis was performed using data obtained from ForeclosureRadar.com, a subscription service designed for real estate professionals that is used for finding, evaluating and tracking foreclosures. This service lists properties in several states of the foreclosure process: Notice of Default (NOD), Notice of Trustee Sale (NTS), and REO. A property that receives an NOD that does not get rectified becomes foreclosed and is listed for sale at a foreclosure auction (NTS); any property that is not purchased by a third party at auction is sold back to the lending institution, and becomes bank-owned (REO).

³¹ Assessed value can be a problematic proxy for market value, due to limitations on increases of assessed value in California, and can vary widely between similar properties. The use of median values across hundreds of properties should reduce the effect of the variance between similar properties. Median assessed values, therefore, can reasonably be used as a point of comparison. Properties inside the Merged Project Area are, in general, older than properties outside the Merged Project Area, and so the median assessed values indicated for the Merged Project Area are a conservative estimate; if the median assessed values were actually higher, reflecting more recent reassessments, the MSP as a percent difference from MAV (shown in Table II-6) would be even greater within the Merged Project Area.

³² Smith, Geoff & Duda, Sarah. (2008). *Foreclosure fallout: An analysis of foreclosure auctions in the Chicago region*. Woodstock Institute.

³³ Immergluck, Dan & Smith, Geoff. (2006). The external costs of foreclosure: The impact of single-family mortgage foreclosures on property values. *Housing Policy Debate*. Volume 17, Issue 1, 57-79.

ForeclosureRadar.com data on properties that became bank-owned in 2008 was obtained for the Merged Project Area zip codes (94801, 94804 and 94805), and this data was matched with parcel numbers located within the Merged Project Area. Table II-7 shows that approximately 58 percent of the 1,134 foreclosed properties sold back to banks in 2008 were within the Merged Project Area. Moreover, banks were offering lower prices as a percentage difference from assessed value for these properties, compared to properties located in the same zip codes but outside the Merged Project Area.

**Table II-7
Single-Family and Condominium Bank-Owned Properties in Merged Project Area
Zip Codes (2008)**

Area	# of New Bank Owned Properties	Percent of Total	Median Assessed Value (MAV)	Median Sale Price (MSP) to Bank^a	MSP as Percent Difference from MAV
Merged Project Area	655	58%	\$241,600	\$188,000	-22.2%
Outside Merged Project Area	479	42%	\$269,800	\$232,500	-13.8%
Total	1,134	100%	\$251,200	\$205,900	-18.0%

a. Price offered by the lending institution at auction for which there were no buyers.

Note: Median Assessed Value and Median Sale Price rounded to the nearest hundred.

Source: ForeclosureRadar.com, Seifel Consulting Inc.

c. Resales of REO Properties

An analysis of the resales in 2008 of REO properties to an owner-occupant (as opposed to the lending institution) was performed to assess the impact of these REO properties on the housing market within the Merged Project Area.

Table II-8 shows that sales of formerly bank-owned properties to an owner-occupant³⁴ constitute a greater percentage of sales within the Merged Project Area. Overall, approximately 58 percent of all sales in 2008 were REO properties, but sales of REO properties accounted for 72 percent of all sales within the Merged Project Area and only 47 percent of sales outside the Merged Project Area.

³⁴ Including any properties that became bank-owned prior to 2008 but were still bank-owned when they were sold in 2008.

**Table II-8
Comparison of Sales of REO Properties**

	Merged Project Area	Outside Merged Project Area	Total
REO Properties Sold^a	309	235	544
Total Properties Sold	431	500	931
Percent of Properties Sold - REO	71.7%	47.0%	58.4%

a. The sales of former REO properties are a subset of total sales.

Source: MDA DataQuick, ForeclosureRadar.com, Seifel Consulting Inc.

Overall, the greater percentage of new REO properties and greater percentage of sales of REO properties within the Merged Project Area has had a larger negative impact on median sales price compared to the surrounding area. Table II-9 shows that median sales price is lower in the Merged Project Area compared to median sales price outside the Merged Project Area, and, further, that the sales in 2008 of bank-owned properties to an owner-occupant within the Merged Project Area had a median sales price a greater percentage amount below assessed value (54 percent) than comparable sales outside the Merged Project Area (40 percent). This data provides evidence for the finding suggested in the literature of a stronger negative effect on property values of additional foreclosures and REO properties within the Merged Project Area. This data also supports the previous finding from section b that properties within the Merged Project Area are not holding their value as well as properties outside the Merged Project Area during the current housing market decline.

**Table II-9
Comparison of Median Sales Price and Median Assessed Value**

Area	Sale Type	Median Assessed Value (MAV)	Median Sales Price (MSP)	MSP-MAV	MSP as Percent Difference from MAV
Merged Project Area	Former REO Sales^a	\$303,000	\$140,000	-\$163,000	-53.8%
	Total Sales	\$296,300	\$170,000	-\$126,300	-42.6%
Outside Merged Project Area	Former REO Sales^a	\$340,000	\$202,500	-\$137,500	-40.4%
	Total Sales	\$315,500	\$260,000	-\$55,500	-17.6%

a. The sales of former REO properties are a subset of total sales.

Note: Median Assessed Value and Median Sale Price rounded to the nearest hundred.

Source: MDA DataQuick, ForeclosureRadar.com, Seifel Consulting Inc.

2. Impaired Property Values Due to Hazardous Wastes [33031(b)(2)]

This section describes the presence of hazardous wastes in the Merged Project Area and how this presence impairs property values. These conditions indicate economic blight, as defined in CRL Section 33031(b)(2).

a. Definition of Hazardous Waste and the Polanco Act

CRL Section 33031(b)(2) states that impaired property values must be due in significant part to hazardous wastes where the “agency may be eligible to use its authority as specified in Article 12.5 (commencing with Section 33459).” Article 12.5, commencing with Section 33459, of the CRL, is known as the Polanco Redevelopment Act (“Polanco Act”). The Polanco Act allows a redevelopment agency to take any actions necessary to address the release of hazardous substances on, under or from property within its project area. In return, the Agency, the developer of the property, and subsequent owners receive immunity from further cleanup liability. The Polanco Act shifts more liability for both site investigation and remediation to the party determined to be responsible for the release of hazardous materials, usually the property owner at the time of the release.

Section 33459(c) defines the hazardous substances subject to Polanco Act powers. It states:

“Hazardous substance” means any hazardous substance as defined in subdivision (h) of Section 25281, and any reference to hazardous substance in the definitions referenced in this section shall be deemed to refer to hazardous substance, as defined in this subdivision.

Section 25281(h) of the California Health and Safety Code references other definitions of hazardous substances found in a variety of state and federal statutes. Through subsequent references, the Polanco Act incorporates most of the definitions in the existing state and federal environmental laws. For example, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), commonly known as the federal Superfund law, lists well over 1,000 hazardous substances.³⁵ In addition, Section 25281 includes petroleum and petroleum byproducts, which other laws exclude.

In summary, the definition of hazardous substances in the Polanco Act is wide-ranging. Therefore, the types of hazardous waste that constitute the economic blight described in the Section 33031(b)(2) are numerous. Unless otherwise noted, this section uses the terms “hazardous waste” and “hazardous substance” interchangeably to refer to the materials of concern in this analysis.

b. Impaired Property Values

The presence or potential presence of hazardous wastes on a property typically impairs property values because investigation, remediation, monitoring, and ongoing liability for environmental contamination are both costly and uncertain. Under federal laws, including CERCLA, the Resource Conservation and Recovery Act (RCRA), and others, property owners may be held liable for past chemical releases, even though they were not directly responsible for the

³⁵ Table 302.4, 40 CFR 302.4.

conditions that gave rise to the liability. Therefore, prior to purchasing or entering into contract to develop a site, a developer must undertake extensive environmental investigations to determine whether hazardous wastes are present. The cost of conducting any potential remediation is also uncertain, and delays are often associated with obtaining governmental approvals before development of contaminated or remediated sites may begin.

A lack of investment in properties due to confirmed or potential hazardous wastes may impair property values. Given added costs and risks of hidden cleanup costs, the presence of hazardous wastes on properties often serves as a disincentive to redevelop the properties and consequently depresses their values.³⁶ Property owners that suspect but have not confirmed the presence of hazardous wastes may not wish to undertake such efforts due to the costs associated with environmental testing.

Hazardous wastes may also impair sale prices when a property changes ownership. Due to the costs and risks described above, potential buyers may offer lower prices to account for expected remediation needs. Pre-sale negotiations often address the responsibilities of each party to remediate hazardous wastes. These negotiations add to the cost of the transaction and likely depress the sales price. Overall, these costs and risks often depress the resale value of contaminated properties as compared to similar sites without contamination history. Impaired property values due to hazardous wastes constitute economic blight under the CRL.

c. Hazardous Wastes in the Project Area

Contaminated sites in the Merged Project Area are largely due to industrial and research and development (R&D) activities (oil refineries, chemical plants, manufacturing), automobile-related land uses (sales, service, repair, gasoline) and past railroad uses. As discussed above, these hazardous wastes likely impair property values on those sites due to the risks associated with liability and cleanup. Sites immediately surrounding contaminated sites may also be affected as leaks can spread through water and soil over time.

The text below describes the hazardous wastes sites in the Merged Project Area identified by the State Department of Toxic Substance Control (DTSC) and State Water Resources Control Board (SWRCB). Table II-10 summarizes the number of hazardous wastes sites in the Merged Project Area and Figure II-8 maps the location of these hazardous sites, as determined by DTSC and SWRCB. The text below also highlights and discusses in detail several large and significant hazardous wastes sites in the Merged Project Area.

As summarized in Table II-10, project areas with a high concentration of hazardous waste sites include 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin and 11-A Harbour. The 1-A Eastshore, 1-C Potrero, and 3-A Galvin project areas have few hazardous wastes sites, and the 12-A North Richmond project area has no hazardous wastes sites.

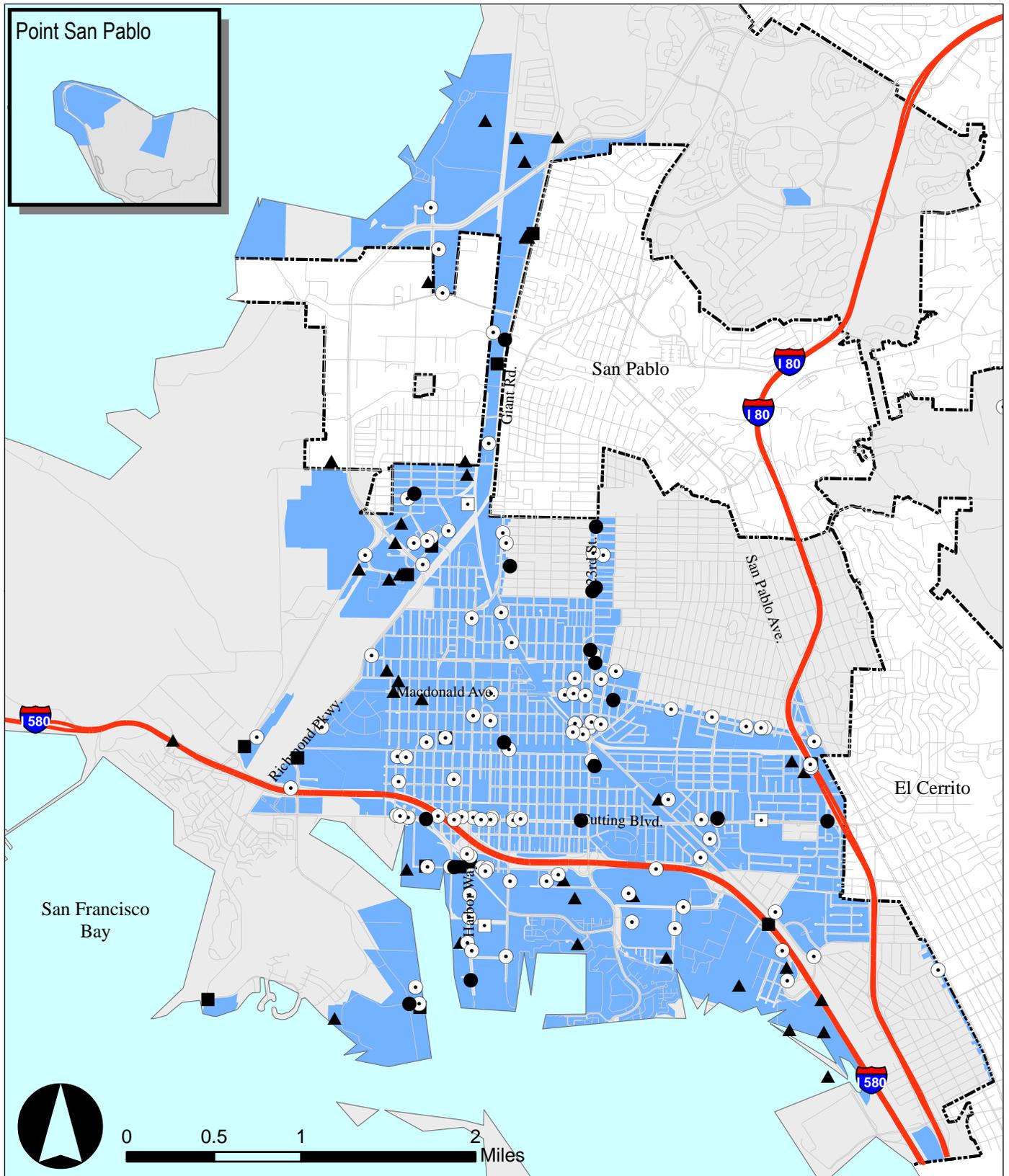
³⁶ Weber, Bruce R. "The Valuation of Contaminated Land." *The Journal of Real Estate Research*. Vol. 14. No. 3, 1997.

**Table II-10
Hazardous Wastes Sites**

	DTSC	LUFT			SLIC		
		Open	Closed	Total	Open	Closed	Total
Constituent Project Areas							
1-A Eastshore	0	0	3	3	0	0	0
1-C Potrero	0	1	1	2	0	1	1
3-A Galvin	0	0	1	1	1	1	2
6-A Harbor Gate	12	1	29	30	2	0	2
8-A Hensley	11	2	17	19	4	1	5
10-A Downtown	2	7	19	26	1	0	1
10-B Nevin	10	4	24	28	2	0	2
11-A Harbour	9	4	11	15	5	2	7
12-A North Richmond	0	0	0	0	0	0	0
Total Number of Sites in Constituent Project Areas	44	19	105	124	15	5	20
Total Number of Sites in City of Richmond	59	27	153	180	45	14	59

Source: State Water Control Resources Board (Geotracker), Department of Toxic Substances Control, Seifel Consulting Inc.

Figure II-8
Locations of LUFT, SLIC and DTSC Sites



d. DTSC

The State Department of Toxic Substance Control (DTSC) regulates hazardous wastes and oversees clean-up of hazardous waste sites throughout California. DTSC tracks approximately 90,000 properties throughout the State, including former or current industrial properties, military bases, small businesses and landfills, that are contaminated or believed to be contaminated with some level of toxic substances. According to DTSC, many of these sites are “brownfields,” sites that often sit idle or underused, contributing to urban blight. DTSC also monitors and oversees the remediation of state- and federally-listed priority clean-up sites, also known as Superfund sites.

Of the 59 DTSC sites within the City of Richmond, the Merged Project Area contains 44 sites or approximately 75 percent of the total hazardous wastes sites monitored by DTSC within the City. Section (h) below highlights several DTSC sites within the Merged Project Area to explain in detail how each site’s property values have been impaired due to the presence of hazardous wastes.

e. Leaking Underground Fuel Tanks (LUFTs)

LUFTs are one of the most common sources of hazardous wastes in the Merged Project Area. These fuel storage tanks are commonly located on the site of current or former automotive uses. SWRCB maintains a database of LUFTs. According to the SWRCB, underground storage tanks are the principal source of groundwater contamination. Most underground storage tanks hold fuel and additives, and by state law, local agencies must monitor them for leaks.

The SWRCB list categorizes LUFTs as either “Open” or “Closed.” Open LUFTs are sites that have not been sufficiently investigated and/or remediated. Closed LUFTs are sites in which work is no longer required since known levels of contamination are not high enough to impact public health. However, each closed case has a unique closure agreement with the regional board with different target level goals, and the SWRCB reserves the right to reopen files when necessary. Additionally, the closed sites are not necessarily “clean” and often, especially on industrial sites, other contaminants are in the soil or leaking into the groundwater. Furthermore, LUFT sites closed prior to newer types of contamination testing will likely be reopened for further testing and remediation. Health risks associated with closed LUFT sites are still possible and the SWRCB advises that prior to redevelopment, developers review the files for all cases to ensure that no new information has surfaced about possible risks to human health, safety or the environment.

According to the SWRCB’s database, 124 known LUFTs exist in the Merged Project Area. Of these, 19 are open cases that have not been sufficiently investigated and/or remediated. The remaining 105 LUFT cases are categorized as “Closed.” As discussed above, both open and closed LUFTs may pose health risks and constitute a potential liability to property values. Approximately 69 percent of LUFT sites in the City of Richmond are located within the Merged Project Area.

Federal and state laws require every owner and operator of a LUFT to maintain financial responsibility to pay for any damages arising when a leak is discovered. Corrective action costs include preliminary site assessment, soil and water investigations, corrective action implementation, such as tank removal, and verification monitoring after the cleanup is completed. Other potential costs may include fees and compensation claims associated with lawsuits. Although remediation action costs vary to a wide degree, the SWRCB provides cost estimates for

common corrective action scenarios at a typical site. In the examples provided by SWRCB, the costs range between \$45,000 and \$193,000 in 2009 dollars for soil excavation, cleanup and disposal related activities, not including removal of tanks or treatment of contaminated water.³⁷ As discussed above, costs related to hazardous waste clean up and removal impairs the value of a site as these costs are often reflected in a lower sales price for the property.

f. Spills, Leaks, Investigations, and Cleanups (SLIC) Sites

The SWRCB also maintains a list of SLIC sites. The SLIC program is designed to cleanup “unauthorized discharges” to groundwater and surface waters or soil sediments when such discharges occur and are reported. The SLIC program orders investigations, sets cleanup and treatment removal standards and provides for further monitoring. SLIC sites are not specifically linked to underground fuel tanks and are in fact likely to be more highly contaminated than LUFT sites. They could be contaminated with any number of toxic materials, including dry cleaning chemicals, percolate, dioxin, etc.

According to the SWRCB’s database, 20 known SLICs exist in the Merged Project Area. Of these, 15 are open cases that have not been sufficiently investigated and/or remediated. The remaining 5 SLIC cases are categorized as “Closed.” Similar to LUFT cases, as described above, both open and closed SLICs may pose health risks and constitute a potential liability to property values.

g. Former Railroad Sites

Former rail yards and other areas around railroad lines often contain soils contaminated by years of active use. Rather than stemming from a specific industrial activity, rail yard contamination typically results from contaminants related to on- and off-loading polluting materials and railroad car maintenance, among other activities. Typical contaminants include arsenic, heavy metals and lead. The overall levels of contamination may not be high enough to place these sites on major hazardous waste lists, but developers typically must clean or replace the soil prior to undertaking significant redevelopment. This responsibility depresses the value of former railroad sites for redevelopment relative to other similar properties, as in the case of the Pullman site described below.

Pullman Site

The 2.3-acre Pullman site, formerly used as a railroad car maintenance site, is located in the 10-B Nevin Project Area of the Merged Project Area northeast of Carlson Boulevard between Florida Avenue and South Street. Although surrounded by residential properties as well as other land uses, the Pullman site has been vacant since the 1950s. Many years of contamination monitoring by DTSC and remediation actions were necessary to clean up the hazardous substances found on the site. DTSC recently issued an “unrestricted use” certification for the Pullman property upon its successful completion of remediation activities in 2001. The “unrestricted use” certification is

³⁷ California State Water Resources Control Board. Cost Guidelines Underground Storage Tank Cleanup Fund (October 2001). This document states that LUFT remediation costs may range between \$36,000 and \$154,000 in 2001 dollars. Equivalent costs in 2009 dollars were estimated for this report using a conservative 2.8 percent annual growth factor based on the average annual percent change in the Consumer Price Index between 2001 and 2009. However, the Building Cost Index and Construction Cost Indices indicate that remediation costs may have increased by more than 2.8 percent annually.

DTSC's most health protective designation, and allows for future land use ranging from single family homes to commercial and industrial development.

h. Large Hazardous Wastes Sites

This section highlights several large and significant hazardous wastes sites in the Merged Project Area and provides a summary of the current and historical land use of each site. This section also describes how hazardous substances have contributed to each site's economic blighting condition for depreciated or stagnant property values, as determined by comparing the site's assessed property value to the value of other sites with similar land uses. Table II-11 identifies the large hazardous waste sites that have land use restrictions. Table II-12 below summarizes the assessed land and improvement values for sales transactions that occurred in 2007 and 2008 in the City of Richmond. The average values for the city serve as a benchmark and a point of comparison for the property values of the sites below. Also discussed in this section are other common indicators of depreciated or stagnant property values, such as parcel vacancy and underutilization or lengthy property turnover terms, likely due to hazardous waste contamination.

Land Use Restriction Sites

As shown in Table II-11 and Figure II-9, the Merged Project Area has 11 sites with land use restrictions that constrain development potential as a result of hazardous wastes. The land use restrictions are covenants that a property owner enters with an agency, such as the DTSC, which prohibits the property owner from redeveloping the property for certain land uses, such as homes, hospitals and schools, without the consent of the regulating agencies. Oftentimes, these land use restrictions also state that the property owner cannot break or disturb the cap that is placed over the land to keep contaminants below the surface without the consent of the agencies.

**Table II-11
Land Use Restriction Sites
Merged Project Area**

Property Name	Project Area Location	Property Size (acres)	Land Use Restriction	Agency
American Standard	8-A Hensley	3.9	Roadway only	DTSC
Catellus Commercial Center	11-A Harbour	8.9	Commercial or industrial only	DTSC
Chemtura	8-A Hensley	8.5	No residential, hospitals, school, park, day care	DTSC
Cooper Chemical	8-A Hensley	5.5	Heavy industrial only	DTSC
Drew Middle and South Property	10-B Nevin	4.5	Roadway only	DTSC
Drew Sales	8-A Hensley	2	No residential, hospitals, day care, food	DOH
FMC Corporation	8-A Hensley	20	Commercial or industrial only	DTSC
Harbour Way South	11-A Harbour	0.2	Commercial, office or industrial only	DTSC
Marina Bay Project	11-A Harbour	0.5	No residential, hospitals, school, day care	DTSC
United Heckathorn	11-A Harbour	12	Commercial or industrial only	EPA
Zeneca	6-A Harbor Gate	86	No residential, hospitals, school, day care	DTSC
Total		152		

Source: CA Department of Toxic Substance Control (DTSC), CA Department of Health (DOH), U.S. Environmental Protection Agency (EPA) Liquid Gold Oil Corp

Table II-12
Land and Improvement Values for Sale Transactions, 2007-2008
City of Richmond

Land Use	Average Land Value / Land SF ^a	Average Improvement Value / Land SF ^a	Number of Transactions
Light Industrial	\$8.32	\$22.43	33
Vacant Industrial	<u>\$9.72</u>	<u>N/A</u>	<u>8</u>
All Industrial ^b	\$8.60	\$22.43	41
Vacant Commercial	\$35.82	N/A	7
Vacant Residential	\$38.98	N/A	88

a. Based on transactions which took place over a two year period, 2007 and 2008.

b. Data for Heavy Industrial uses were unavailable for the time period searched.

Source: DataQuick, Seifel Consulting Inc.

United Heckathorn (Federal and State Listed Superfund Site)

The former United Heckathorn site, a 12-acre parcel located at in the 11-A Harbour Project Area of the Merged Project Area, is a Superfund site listed on the U.S. Environmental Protection Agency's (EPA) National Priorities List (NPL). The site has a complicated history of ownership with multiple industrial tenants and land uses over time contributing to the production of on-site contamination.³⁸ The site has been in operation since the 1940s, originally as an agricultural chemical formulating facility, warehouse and shipyard.

In 1982, the United Heckathorn site was added to the state Superfund list and previous owners and operators of the site were issued cleanup and abatement orders from the California Regional Water Quality Control Board (RWQCB).³⁹ The site was placed on the EPA's NPL of uncontrolled hazardous waste sites in 1989 and in 1990, EPA became the lead agency for the United Heckathorn site.

Remediation actions that have taken place on the site include contaminated soil excavation from the site in 1982 and the installation of a two-foot layer of gravel that was intended to prevent release of airborne dust containing contaminants in 1986. According to a report by the EPA in 2006, cleanup activities are still underway on the marine areas surrounding the site. The EPA has plans for future studies and remediation actions.⁴⁰

³⁸ *Preliminary Public Health Assessment: United Heckathorn, Richmond, Contra Costa County, California*, California Department of Health and Human Services, Agency for Toxic Substances & Disease Registry Website, http://www.atsdr.cdc.gov/HAC/pha/unitedheckathorn/uni_p1.html

³⁹ *Preliminary Public Health Assessment: United Heckathorn, Richmond, Contra Costa County, California*, California Department of Health and Human Services, Agency for Toxic Substances & Disease Registry Website, http://www.atsdr.cdc.gov/HAC/pha/unitedheckathorn/uni_p1.html

⁴⁰ U.S. Environmental Protection Agency. Five-Year Review (December 2006).

Impaired Property Values

Last transferred in 1981, the United Heckathorn site has been in the same property ownership for 28 years. Current site operations involve both shipping and recycling of materials; however, the majority of the site currently remains underutilized, likely due to the presence of hazardous wastes and a land use restriction covenant placed on the site limiting its use to only commercial and industrial activities as a result of the presence of hazardous substances.

During the property's last transfer in 1981, industrial properties in the City of Richmond had an average assessed land value of \$3.48 per square foot. Proposition 13 freezes a property's value at the last transfer date but allows for 2 percent annual increases to account for inflation. Therefore, if a property has not resold, the assessed land value should only increase 2 percent annually, to reflect the allowable inflationary increase. The site's land value is currently assessed at \$3.40 per square foot (in 2009 dollars), which is significantly less than the 1981 average land value with inflation over time, \$6.00 per square foot (in 2009 dollars), suggesting that at the time of purchase in 1981, the land was valued at significantly less than the 1981 average.⁴¹ This value is also significantly less than the current average assessed land value for industrial properties in the city, which is approximately \$8.60 per square foot. Improvement values for the site also indicate that the site is underutilized. At roughly \$13 per square foot, the improvement value for the site is considerably lower than the average \$22 per square foot improvement value for industrial properties in the city.

Richmond Field Station

The Richmond Field Station (RFS), owned by the University of California, Berkeley, sits on 150 acres of land in the 6-A Harbor Gate Project Area of the Merged Project Area adjacent to the Western Stege Marsh. The regional Marina Bay trail crosses the marsh portions of the site.

Between 1870 and 1950, the site was occupied by the California Cap Company, who manufactured explosives on the site. The site is adjacent to the Zeneca site, formerly Stauffer Chemical Company, which produced and manufactured chemicals.⁴² The proximity to the Zeneca site has led to the deposit of hazardous wastes on portions of the RFS site.⁴³ The University of California (UC) purchased the RFS site from the California Cap Company in 1950 and currently uses the site for administrative offices, research/analytical labs and storage space.⁴⁴

⁴¹ The 1981 average assessed land value for industrial properties was calculated using citywide parcel level data from the Contra Costa County Assessor's Office for industrial properties last sold in 1981.

⁴² *Public Health Assessment: Evaluation of Exposure to Contaminants at the University of California, Berkeley, Richmond Field Station*, Prepared by California Department of Public Health under Cooperative Agreement with the Agency for Toxic Substances and Disease Registry, March 3, 2008., <http://www.ehib.org/projects/RFSbluecover.pdf>

⁴³ *UC Richmond Field Station - Public Health Activities*, California Environmental Health Investigations Branch Website, http://www.ehib.org/project.jsp?project_key=UCFS01

⁴⁴ *UC Richmond Field Station - Public Health Activities*, California Environmental Health Investigations Branch Website, http://www.ehib.org/project.jsp?project_key=UCFS01

The RFS site was discovered by the DTSC's Abandoned Site Program (ASP) in 1980.⁴⁵ In 1999, RWQCB for the San Francisco Bay Region identified contamination in sediments from the Western Stege Marsh and requested that UC investigate the extent and source of contamination in the surrounding area.⁴⁶ In May 2005, DTSC took over as the lead oversight agency for the RFS site.⁴⁷ According to DTSC, the site is currently an active cleanup site. On-going studies and remediation actions are anticipated for the near term future.

Impaired Property Values

UC anticipates that it will spend \$25 to \$30 million for the entire cleanup and restoration project, the majority of which will be used just for remediation.⁴⁸ Cleanup at the RFS is on-going and has entailed excavation and removal of contaminated material and extensive resources devoted to environmental monitoring and oversight. Monitoring during cleanup work is being conducted by UC Berkeley Environment Health & Safety staff, project consultants, the contractor, and DTSC. All of UC's remediation plans required permits and access agreements from numerous other agencies, including the Army Corps of Engineers, the Bay Conservation and Development Commission (BCDC), the East Bay Regional Parks District, the US Fish and Wildlife Service and the City of Richmond. The project's environmental impacts were assessed through a UC-led CEQA (California Environmental Quality Act) review process.⁴⁹

In 2004, UC submitted a Request for Qualifications (RFQ) to solicit proposals from developers to build the Bayside Research Campus on the RFS site for additional office and lab space. According to UC staff, this project has been put on hold until remediation is completed on the site.⁵⁰

Chevron Chemical Company Sites

The Chevron Chemical Company owns two contaminated sites in the 10-B Nevin Project Area of the Merged Project Area: the former chemical plant (Plant Site) at 940 Hensley Street on the southeast side of Castro Street and Hensley Street, and the pond area (Pond Site) on the southwest side of Castro Street and Gertrude Avenue.^{51,52} The historic industrial uses on these sites resulted

⁴⁵ *UC Richmond Field Station - Public Health Activities*, California Environmental Health Investigations Branch Website, http://www.ehib.org/project.jsp?project_key=UCFS01

⁴⁶ *Public Health Assessment: Evaluation of Exposure to Contaminants at the University of California, Berkeley, Richmond Field Station*, Prepared by California Department of Public Health under Cooperative Agreement with the Agency for Toxic Substances and Disease Registry, March 3, 2008, <http://www.ehib.org/projects/RFSbluecover.pdf>

⁴⁷ *Public Health Assessment: Evaluation of Exposure to Contaminants at the University of California, Berkeley, Richmond Field Station*, Prepared by California Department of Public Health under Cooperative Agreement with the Agency for Toxic Substances and Disease Registry, March 3, 2008, <http://www.ehib.org/projects/RFSbluecover.pdf>

⁴⁸ Christine Shaff, Communications Manager, UC Berkeley Facilities Services, April 1, 2009.

⁴⁹ UC Berkeley Richmond Field Station Environmental Website, <http://rfs.berkeley.edu/index.html>

⁵⁰ Christine Shaff, Communications Manager, UC Berkeley Facilities Services, April 1, 2009.

⁵¹ Integrated Wastewater Pond System, RCRA Part B Permit Application, Chevron Chemical Company, Richmond Environmental Project, June 1992.

in the release of hazardous materials into the soil and groundwater, as these sites were not regulated until the 1980s.

The Plant Site formerly contained facilities of the Agricultural Chemicals Division of the Chevron Chemical Company. Chevron no longer uses the Plant Site for manufacturing, and remediation processes have been initiated but are not yet completed. According to Chevron staff, a portion of the site is currently used for administration offices and training facilities for Chevron employees and storage space.⁵³ The remainder of the site, which includes the former manufacturing areas, is underutilized.

Historically, the majority of the Pond Site consisted of an Integrated Wastewater Pond System (IWPS) for the processing, treatment and evaporation of contaminated wastewater and stormwater runoff from the Plant Site. Other components of the Pond Site include a former landfill; a solid waste management unit; a former fertilizer plant; and evaporation and recycling ponds that processed the wastewater and stormwater associated with the fertilizer plant. Currently no industrial activities occur on the Pond Site, and the site is underutilized. As manufacturing operations no longer occur on either site, the ponds are no longer processing industrial waste. The IWPS is only being used for the collection of stormwater runoff from adjacent areas. The former landfill and solid waste management unit no longer accept additional waste.

Impaired Property Values

According to Chevron staff, remediation processes have begun at the Plant and Pond Site but are not yet completed. The groundwater underneath the Plant Site is contaminated with hazardous wastes attributable to the site's past uses. Due to the extent of soil and groundwater contamination, potential reuses of the Plant Site will likely be limited, and would impair the value of the property as compared with a comparable uncontaminated site.

The ponds associated with the IWPS and fertilizer plant are currently being filled with clean soil, a process that is anticipated to take several years. According to Chevron staff, once remediation efforts are completed, low density, non-residential uses may be feasible for the site; however, due to past uses and soil and groundwater contamination, the type of uses or buildings appropriate for the site are limited. While current portions of the Chevron property are used for office and storage space, the majority of the property remains underutilized, likely due to the presence of hazardous wastes.

Terminal 4

Terminal 4 is a 37-acre port facility in the 10-B Nevin Project Area of the Merged Project Area. This facility has a long history of various industrial and marine related uses. According to DTSC documents, Terminal 4 has been used for liquid bulk storage and processing, including oils, alcohols and petrochemicals since 1917. The Filice and Perelli Canning Company built a wharf and warehouse in Terminal 4 during the 1920s.⁵⁴ From the 1920s to the 1940s, fishing canneries

⁵² Order No. 96-121, Site Cleanup Requirements for: Chevron Chemical Company Plant Site, Richmond Manufacturing Facility, Contra Costa County, California Regional Water Quality Control Board, San Francisco Bay Region, 1996.

⁵³ Phone interview with Paul Millner, Commercial Business Development Manager, Chevron, March 11, 2009.

⁵⁴ Richmond 10-B Nevin Plan Amendment Preliminary Report (March 2005).

operated at this location. From the 1940s through 2000, two primary tenants, Vopak Terminal Richmond, Inc. (formerly Dorward Terminals and Paktank California) and PM Ag (formerly Pacific Molasses Company), leased Terminal 4 for petroleum and other bulk product storage and commercial agricultural product handling and distribution.

Impaired Property Values

The City of Richmond acquired the land and buildings in Terminal 4 in 1973, and the Port of Richmond has been managing the Terminal since that time. Terminal 4's historical industrial land uses, which were formerly unregulated, have contributed to the presence of hazardous wastes in the soil and groundwater. The RWQCB is the lead agency overseeing remediation activities.

According to Port of Richmond staff, Terminal 4 currently has tenants that use the site for storage space, but the site has been primarily vacant since 2003. The City of Richmond is planning on redeveloping the site along with Point Molate when that project moves forward. In the meanwhile, the RWQCB continues to evaluate other potential issues at the former Vopak and PM Ag sites on Terminal 4, and is working with the responsible parties to remediate the contamination that still remains.⁵⁵

Miraflores

Miraflores is currently a vacant site located in a residential area on the eastern side of Richmond in the 1-C Potrero Project Area, bordered by Highway 80 to the east, the Bay Area Rapid Transit (BART) rail line to the north, and the Park Plaza Neighborhood to the south and west. From the beginning of the 20th century until 2005, this 14.7-acre site was the location of the operations of several plant nurseries. The site currently contains the structures of the former nurseries: about 40 greenhouses and several residences and other buildings that were used to support the various nursery operations.⁵⁶

Three different nurseries owned by the Sakai, Oishi and Endo families have operated on the site. All of the nurseries used pesticides. In addition, ten underground storage tanks (USTs) were used to store fuel; seven of these USTs were removed from the site in the 1980s and 1990s while three inactive USTs still remain.⁵⁷ Extensive investigations that were performed at the site by DTSC from June 2000 through 2006 found that the soil and groundwater beneath the site are contaminated with hazardous materials.^{58,59}

⁵⁵ Norman Chan, Port Administrator, Port of Richmond, April 17, 2009.

⁵⁶ *Miraflores Housing Development Cleanup Plan Fact Sheet*, California Department of Toxic Substances Control, May 2006, <http://www.dtsc.ca.gov/SiteCleanup/Projects/Miraflores.cfm>

⁵⁷ According to the 2006 DTSC Cleanup Plan, these remaining USTs will be removed during site cleanup activities. *Miraflores Housing Development Cleanup Plan Fact Sheet*, California Department of Toxic Substances Control, May 2006, <http://www.dtsc.ca.gov/SiteCleanup/Projects/Miraflores.cfm>

⁵⁸ *Miraflores Housing Development Cleanup Plan Fact Sheet*, California Department of Toxic Substances Control, May 2006, <http://www.dtsc.ca.gov/SiteCleanup/Projects/Miraflores.cfm>

⁵⁹ *Miraflores Housing Development Cleanup Plan Fact Sheet*, California Department of Toxic Substances Control, May 2006, <http://www.dtsc.ca.gov/SiteCleanup/Projects/Miraflores.cfm>

The Agency used local and federal funds to purchase the Miraflores site in 2006. Three developers – Eden Housing, Inc., Community Housing Development Corporation of North Richmond and Kingston LLC – have been selected to develop the site into a residential project with more than 200 market rate and affordable housing units, including single family homes, townhouses, apartments, and senior housing.

DTSC entered into a Voluntary Cleanup Agreement (VCA) with the Agency, Eden Housing, Inc. and Community Housing Development Corporation of North Richmond. The VCA allows DTSC to oversee the investigation and cleanup of the site. In addition, nine groundwater sampling wells have been installed at the site and are being sampled for monitoring regularly.⁶⁰ An Environmental Impact Report is anticipated in 2009 and cleanup and construction is also slated to begin in 2009.⁶¹

Impaired Property Values

The Miraflores site has been vacant and underutilized for the past several years due to the contamination identified on the site. According to data from the Contra Costa Assessor's Office, the average land value for the parcels located within the Miraflores site is approximately \$11.72 per square foot. This value is significantly less than the average assessed land value for vacant commercial and residential land in the city, which is approximately \$35 to \$40 per square foot. Due to the hazardous wastes, Agency assistance was needed to acquire the property and additional assistance will be needed to prepare the site for redevelopment. According to RDA Staff, the estimated cost of remediating the site and removing contaminated soil, approximately \$4 million, was factored into the sales price of the property.⁶²

Richmond Rod and Gun Club

The Richmond Rod & Gun Club (Gun Club) is located on a 92-acre parcel of land along the shore of San Pablo Bay in the 8-A Hensley Project Area. The site's five skeet ranges and two trap ranges are located on a strip of land that extends into San Pablo Bay. The Gun Club has been in operation since the 1960s. In its history, the Gun Club allowed users to shoot lead pellets into open waters and a 16-acre mud flat located directly north of the ranges. While the Gun Club banned the use of lead pellets in 1993, significant amounts of lead were deposited into the water and mud flat throughout the more than 30 years of shooting.⁶³

Lead is the primary contaminant found on small arms firing sites.⁶⁴ An investigation of the Gun

⁶⁰ *Miraflores Housing Development Cleanup Plan Fact Sheet*, California Department of Toxic Substances Control, May 2006, <http://www.dtsc.ca.gov/SiteCleanup/Projects/Miraflores.cfm>

⁶¹ Tam, Katherine. "Co-developer for Richmond prewar nursery named" West County Times, September 18, 2008

⁶² Natalia Lawrence, Senior Project Manager, Richmond Community Redevelopment Agency, March 20, 2009.

⁶³ *Order No. 93-127 – Site Cleanup Requirements for Richmond Rod & Gun Club, Inc.*, Environmental Protection Agency's California Regional Water Quality Control Board, San Francisco Bay Region Website,

http://www.waterboards.ca.gov/sanfranciscobay/board_info/orders/1993/93-127_20070221180039.pdf

⁶⁴ *Former Brentwood Rod & Gun Club Site Draft Removal Action Workplan*, California Department of Health and Human Services, Agency for Toxic Substances & Disease Registry Website, http://www.dtsc.ca.gov/SiteCleanup/Projects/upload/BrentwoodRod_FS_DRAW_0206.pdf

Club site conducted in 1991 detected dangerous levels of lead and other contaminants typically used in the manufacturing of ammunition in the mud flat sediments.⁶⁵ In October 1993, the Gun Club received an Order from the RWQCB that contained prohibitions and tasks that would require the Club to develop and implement a remedial action plan to cleanup or manage the lead pollution.⁶⁶ According to the RWQCB Order, the presence of lead in the area around San Pablo Bay puts waterfowl at special risk, as lead oxidizes in both fresh and marine water.⁶⁷

Impaired Property Values

The Gun Club continues to operate its recreational firing facility and has been under the same property ownership since 1963. While remediation costs at the Gun Club are unknown, examples of cleanup at other gun clubs in the state indicate the costly nature of these projects. For example, San Francisco Public Utilities Commission water customers paid \$25 million to clean up the now-closed Peninsula Gun Club near San Francisco Bay in Menlo Park.⁶⁸

Former Breuner Property

The former Breuner Property (or Breuner Marsh), is a 244-acre site located in the 8-A Hensley Project Area of the Merged Project Area. The site borders San Pablo Bay to the west, Point Pinole Regional Park to the north, Union Pacific Railroad tracks to the east, and Rheem Creek to the south.⁶⁹ The site is slated for a mixed-use development with over 1,000 units of housing and limited commercial space on the southeastern portion of the site; however, this project is currently on hold due to delayed negotiations with stakeholders.⁷⁰

The site had historically been used for agricultural purposes dating back to 1942. Mr. Gerald Bruener purchased the property in the late 1970s. Aerial photography from 1982 showed that several buildings, storage areas for boats and vehicles and a small airstrip for model airplanes had been built on the property.⁷¹ In addition, approximately 200 drums were identified in a storage area and debris pile on site. These drums are no longer located on the property, but DTSC has

⁶⁵ *Order No. 93-127 – Site Cleanup Requirements for Richmond Rod & Gun Club, Inc.*, Environmental Protection Agency’s California Regional Water Quality Control Board, San Francisco Bay Region Website,

http://www.waterboards.ca.gov/sanfranciscobay/board_info/orders/1993/93-127_20070221180039.pdf

⁶⁶ *Order No. 93-127 – Site Cleanup Requirements for Richmond Rod & Gun Club, Inc.*, Environmental Protection Agency’s California Regional Water Quality Control Board, San Francisco Bay Region Website,

http://www.waterboards.ca.gov/sanfranciscobay/board_info/orders/1993/93-127_20070221180039.pdf

⁶⁷ *Order No. 93-127 – Site Cleanup Requirements for Richmond Rod & Gun Club, Inc.*, Environmental Protection Agency’s California Regional Water Quality Control Board, San Francisco Bay Region Website,

http://www.waterboards.ca.gov/sanfranciscobay/board_info/orders/1993/93-127_20070221180039.pdf

⁶⁸ Kay, Jane. “Warning on lead fallout at gun clubs.” San Francisco Chronicle. September 29, 2008.

⁶⁹ California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/profile_report.asp?global_id=70000184

⁷⁰ Lamont Thompson, Project Planner, City of Richmond, March 31, 2009.

⁷¹ California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/profile_report.asp?global_id=70000184

found no record of their removal.⁷² After Bay Area Wetlands, LLC purchased the site in 2000, all structures on the site were demolished and removed in 2001.⁷³

In 2006, DTSC initiated a VCA with the property owners to address on-site contamination. The portion of the site subject to the VCA includes 18 acres along the southeastern border of the site and 3.5 acres along the northern end of Goodrick Avenue in the northwestern portion of the site.⁷⁴ DTSC is currently in the process of developing a Draft Removal Action Workplan for remediation of the site. Also in 2006, the property owners initiated a project application for residential development with the City of Richmond for the Parkway Transit Village project and consequently published a Notice of Preparation for an Environmental Impact Report. However, as mentioned above, this project is currently on hold. The residential and commercial component of the project is proposed to be located on 61 of the site's 244 acres. The remaining land is undevelopable or will remain as open space.⁷⁵

Impaired Property Values

The former Breuner Property was last transferred in 2000 when it was purchased by Bay Area Wetlands, LLC. At that time, the purchase price was \$3 million or roughly \$1.13 per square foot of land planned for development, which is significantly less than the \$6 average assessed land value per square foot for industrial properties in the City of Richmond in 2000.⁷⁶

According to DTSC, remediation of the former Breuner Property would require minor soil excavations totaling approximately 50 cubic yards, off-site soil disposal and application of clean backfill material.⁷⁷

Chemtura Corporation⁷⁸

The Chemtura Corporation site is located in northern Richmond in the 8-A Hensley Project Area of the Merged Project Area. This site is located on the block bound by Morton Avenue to the north, Union Pacific Railroad tracks and the former Bruener property to the west, Richmond Parkway to the south, and Collins Avenue to the east. This site is also adjacent to the Parchester Village residential community to the north.

⁷² California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/profile_report.asp?global_id=70000184

⁷³ *Community Profile for Parkway Transit Village*, Prepared by Nancy Cook, Department of Toxic Substances Control, http://www.envirostor.dtsc.ca.gov/public/view_document.asp?docurl=/regulators/deliverable_documents/5714475333/comm%5Fprofile%5F030608%2Epdf

⁷⁴ California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/profile_report.asp?global_id=70000184

⁷⁵ DTSC. Parkway Transit Village Community Profile. March 2008.

⁷⁶ The 2000 average assessed land value for industrial properties was calculated using citywide parcel level data from the Contra Costa County Assessor's Office for industrial properties last sold in 2000. Proposition 13 freezes a property's value at the last transfer date but allows for 2 percent annual increases to account for inflation.

⁷⁷ DTSC. Parkway Transit Village Community Profile. March 2008.

⁷⁸ Previously owned by and known as Witco Corporation or Crompton Corporation.

The 8.5-acre Chemtura Corporation site was formerly operated by a chemical manufacturing process that produced wastewater that was held in two unlined ponds before being treated and discharged into a wastewater treatment plant. After contaminants were detected in the groundwater in the mid-1980s, the two ponds were closed and site operations were terminated by 1989. All related hazardous materials were removed from the site by the following year. In 1999, DTSC and Chemtura Corporation entered into a Consent Order, requiring the company to complete the remediation process for the two contaminated ponds. In 2007, DTSC approved the remedies and placed a land use restriction covenant on the site.^{79,80}

Impaired Property Values

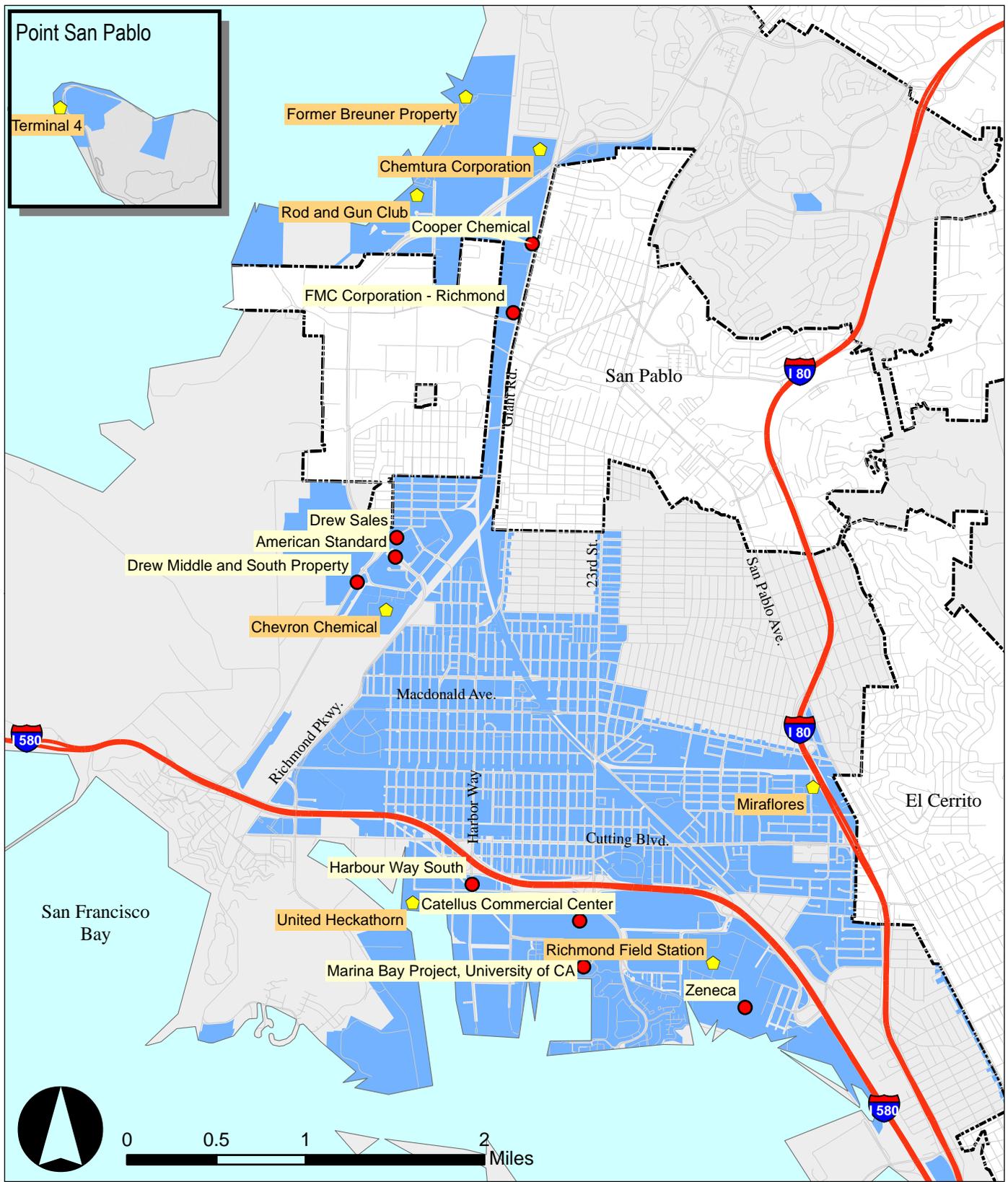
A portion of the Chemtura Corporation site is currently used for light industrial activity. The assessed land values of four of its vacant parcels range between \$3.50 to \$5.00 per square foot while the improvement values for the remaining light industrial parcels are between \$10 and \$13 per square foot. Both the land and improvement values are significantly below the current average, suggesting that the land values are impaired and the site is underutilized.

Approximately 30 percent of the total land area of the Chemtura property contained within four parcels is currently vacant. A land use covenant placed on the Chemtura site in 2007 limits its use to only commercial and industrial activities. The site is located in a neighborhood that has a mix of land uses including residential. The property value of the site is likely impaired by this land use restriction, which does not allow residential development, as well as hospital, school, park and day care uses.

⁷⁹ The remedies included “the implementation of dual phase vapor extraction to cleanup the remaining TMTHF in a small area in between the former Ponds 1 and 2, periodic groundwater sampling and monitoring for TMTHF and benzene.” California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/hwmp_profile_report.asp?global_id=CAD009137779

⁸⁰ California Department of Toxic Substances Control EnviroStor website, http://www.envirostor.dtsc.ca.gov/public/hwmp_profile_report.asp?global_id=CAD009137779

Figure II-9
Location of Large Hazardous Wastes Sites and Land Use Restriction Sites



 Land Use Restriction Sites	 Merged Project Area	Sources: CA Department of Toxic Substance Control (DTSC), CA Department of Health (DOH), U.S. Environmental Protection Agency (EPA)
 Large Hazardous Wastes Sites	 City of Richmond	

3. Economic Indicators of Distressed Buildings [33031(b)(3)]

This section documents the presence of economic indicators of distressed buildings, as described in CRL Section 33031(b)(3), in the Merged Project Area. Blighting conditions found include abnormally low commercial and residential lease rates. These conditions indicate a lack of investment in building locations within the Merged Project Area, which cannot be alleviated without the assistance of redevelopment.

a. Commercial Lease Rates

Seifel conducted a survey of Richmond real estate brokers and local experts during January 2009 to determine whether commercial buildings in the Merged Project Area suffered from abnormally low lease rates. The Merged Project Area contains a number of commercial and industrial buildings primarily located in the 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin and 11-A Harbour Project Areas. The seven brokers and other experts interviewed expressed a general consensus that lease rates in most sections of the Merged Project Area are lower than the City as a whole and other comparable markets in the region. According to Jeff Leenhouts of NAIBT Commercial, a firm that manages several industrial buildings in Richmond, industrial buildings in the Merged Project Area command significantly lower lease rates than other comparable markets. Mr. Leenhouts explained that lease rates in the Merged Project Area averaged approximately \$0.30 per square foot per month triple net lease (NNN), compared to approximately \$0.40 in other comparable markets, including Oakland, Hayward and Livermore.⁸¹ More recently, lease rates for industrial space in Richmond have fallen approximately 30 percent compared to 15 percent for other comparable market areas. This trend suggests that industrial space in the Merged Project Area is less desirable than other areas. Mr. Leenhouts attributed the low lease rates to Richmond's high crime rate, lack of access to neighborhood serving retail amenities, distance from BART and lack of direct access to the Port of Oakland and the Bay Bridge. Mr. Leenhouts also attributes low lease rates to increased incidences of deferred building maintenance and dilapidation.⁸²

Justin Sommer, a leasing agent with the STG Group, a real estate firm that manages several commercial properties in Richmond, including the Cannery Building in the 11-A Harbour Project Area, claimed that a perception of crime in Richmond, a lack of neighborhood serving retail amenities and general "unwelcoming features" negatively influenced his ability to fill vacant commercial space in his buildings.⁸³ Tom Southern from Robinson McNally, an East Bay commercial real estate firm, also suggested that Richmond's high crime rate is an obstacle to finding tenants.⁸⁴ Bill Nork, senior vice president of Cornish and Carey, stated that lease rates for office space in the Merged Project Area are lower than other markets in the East Bay region.⁸⁵

⁸¹ NNN, or triple net lease, refers to a lease agreement between a tenant and owner where the tenant is responsible for paying all real estate taxes, building insurance and maintenance on the property in addition to rent.

⁸² Interview with Jeff Leenhouts, NAI BT Commercial, January 2009.

⁸³ Interview with Justin Sommer, STG Group, January 2009.

⁸⁴ Interview with Tom Southern, Robinson McNally, January 2009.

⁸⁵ Interview with Bill Nork, January 2009.

Lease rates for industrial space in the Merged Project Area are abnormally low relative to the rest of Richmond and other comparable markets in the East Bay. According to local real estate brokers and property owners, current industrial vacancies are listing for approximately \$0.46 per square foot per month (NNN). In comparison, asking rents for vacant industrial space are approximately \$0.56 per square foot per month (NNN) for other areas in comparable markets. Industrial lease rates in comparable markets in the East Bay also substantially exceed those in the Merged Project Area.

The interviewed real estate brokers also consistently indicated that the crime and the lack of nearby amenities deter tenants from locating to Richmond.

b. Residential Lease Rates

The Merged Project Area includes a large area with residential buildings, especially in the central portion of the City. Abnormally low residential lease rates in the Merged Project Area can be attributed to several factors, including substandard housing units and a general lack of demand in the area. Between January 14 and 21, 2009, Seifel conducted an Internet survey of approximately 100 residential properties for rent in the City of Richmond. As shown in Table II-13, average rental rates in the Merged Project Area are significantly lower than in the City as a whole for all unit types.⁸⁶ At the time of the survey, residential units surveyed in the Merged Project Area were listed for approximately \$200 less than units in the City as a whole. Lower residential lease rates in the Merged Project Area suggest that buildings in this area are less desirable than in other areas of the City.

**Table II-13
Residential Lease Rates, Merged Project Area and City of Richmond, January 2009**

No. of Bedrooms	Average Rent		Percent Difference	Number of Total Properties Surveyed	Number of Surveyed Properties in Merged Project Area
	Merged Project Area	Richmond			
1	\$929	\$1,037	-10%	29	12
2	\$1,129	\$1,372	-18%	36	11
3	\$1,416	\$1,627	-13%	23	9
Total	\$1,169	\$1,362	-14%	96	32

a. Sample sizes for studio (2) and four bedroom units (6) were too small to include in this analysis.

Source: craigslist.org; Seifel Consulting Inc.

4. Serious Lack of Neighborhood Commercial Facilities [33031(b)(4)]

Economic blight under CRL Section 33031(b) includes a serious lack of necessary commercial facilities that are normally found in neighborhoods. This condition characterizes the Merged

⁸⁶ Residential lease rates surveyed in the Merged Project Area do not include Marina Bay, as this area is considered no longer blighted.

Project Area and is substantial and prevalent in the Merged Project Area and qualifies as an economic blighting condition.

Grocery stores and pharmacies are essential components of liveable and well-functioning communities and have implications on community health and economic viability.⁸⁷ Contra Costa County ranks in the top ten worst counties in the state for healthy food choices, with a ratio of 4.67 fast food restaurants and convenience stores to every one grocery store or produce vendor.⁸⁸ Richmond, which is among the Contra Costa communities with the highest percentage of low-income and non-White residents, exhibits higher death and disease rates than the county overall for many chronic and communicable diseases, injury, and maternal and child health issues.⁸⁹ The County has developed an action plan to reduce the County's childhood obesity rate, which is well above the State average.

Sections of the Merged Project Area, including 8-A Hensley, 10-B Nevin, 11-A Harbour and 12-A North Richmond, lack a full-service grocery store, leaving many residents without access to a nearby source of healthy and economically priced food. The only full-service grocery store located in the Merged Project Area is FoodsCo on Macdonald Avenue at Marina Way in the 10-A Downtown Project Area. Other full-service grocery stores are located on the periphery of the city. A recent study found that low-income residents of a neighborhood who would use a full-service grocery store were likely to live within one-mile of the store, a distance accessible for residents regardless of auto ownership.⁹⁰ Furthermore, a conservative walking distance to a grocery store is defined as a half mile.⁹¹ Many residents of the Merged Project Areas live further than a half mile from healthy food options.

As shown in Figure II-10, the Merged Project Area includes several convenience stores. As a whole, these stores do not provide the full range of items found in a full-service grocery store. From an economic standpoint, small markets "rely on the sales of alcohol, tobacco and packaged junk foods – high profit and low spoilage – to stay afloat."⁹² Moreover, economic consequences for local residents result from these limited options. National and regional studies on food choices in urban neighborhoods indicate that small urban grocery stores are nearly twice as likely to carry unhealthy items as healthy items, and prices are 10 to 50 percent higher than those in supermarkets.⁹³ In turn, higher food prices, particularly higher fruit and vegetable prices, have

⁸⁷ PolicyLink, "Healthy Food, Healthy Communities: Improving Access and Opportunities Through Food Retailing," Fall 2005, page 12.

⁸⁸ CCPHA, PolicyLink and the UCLA Center for Health Policy Research, "Designed for Disease: The Link Between Local Food Environments and Obesity and Diabetes," 2008.

⁸⁹ Contra Costa Health Services, Public Health Division, "Health Disparities in Contra Costa: A Brief Overview of the Issue and Ongoing Efforts" September 2008.

⁹⁰ Wang, et al., "Is the Opening of a Neighborhood Full-Service Grocery Store Followed by a Change in the Food Behavior of Residents?" *Journal of Hunger and Environmental Nutrition*, Vol. 2:1, page 3-18, June 2008.

⁹¹ 0.5 mile standard used in Robert Gottlieb et. al. "Homeward Bound: Food-Related Transportation Strategies in Low-Income and Transit Dependent Communities," University of California Transportation Center Working Paper, 1996.

⁹² Lisa Feldstein, "Linking Land Use Planning and the Food Environment," 2008.

⁹³ PolicyLink, "Healthy Food, Healthy Communities: Improving Access and Opportunities Through Food Retailing," Fall 2005, page 11.

been found to significantly relate to greater increases in Body Mass Index in elementary school children.⁹⁴

In addition to lacking access to a full-service grocery store, residents in the Constituent Project Areas listed above lack access to drug stores or pharmacies and banking institutions. While several pharmacies and banks exist along Macdonald Avenue and San Pablo Avenue in the eastern sections of the Merged Project Area, very few are located west of Carlson Boulevard—where most of the population of the Merged Project Area resides.

The lack of neighborhood commercial facilities is particularly prevalent in the 8-A Hensley and 12-A North Richmond Project Areas. These projects areas do not feature a full-service grocery store, pharmacy or bank. In addition, these project areas are somewhat isolated due to their location in the northern part of the City, which is hindered by circulation and accessibility constraints. As discussed in Sections D.2, active and defunct railroad lines and major highways prevent adequate circulation to and from these areas.

5. Excess of Problem Businesses [33031(b)(6)]

Another factor of economic blight is an excess of bars, liquor stores or other businesses catering exclusively to adults that has led to problems of public safety and welfare. The California Department of Alcoholic Beverage Control (ABC) regulates alcohol beverages licenses. ABC issues several subcategories of licenses, but the overarching categories are on-sale and off-sale licenses. On-sale licenses allow the consumption of alcoholic beverages on the premises, such as a restaurant or bar, while off-sale licenses are for the sale of alcoholic beverages that are consumed off the premises, such as a package store or grocery store.⁹⁵

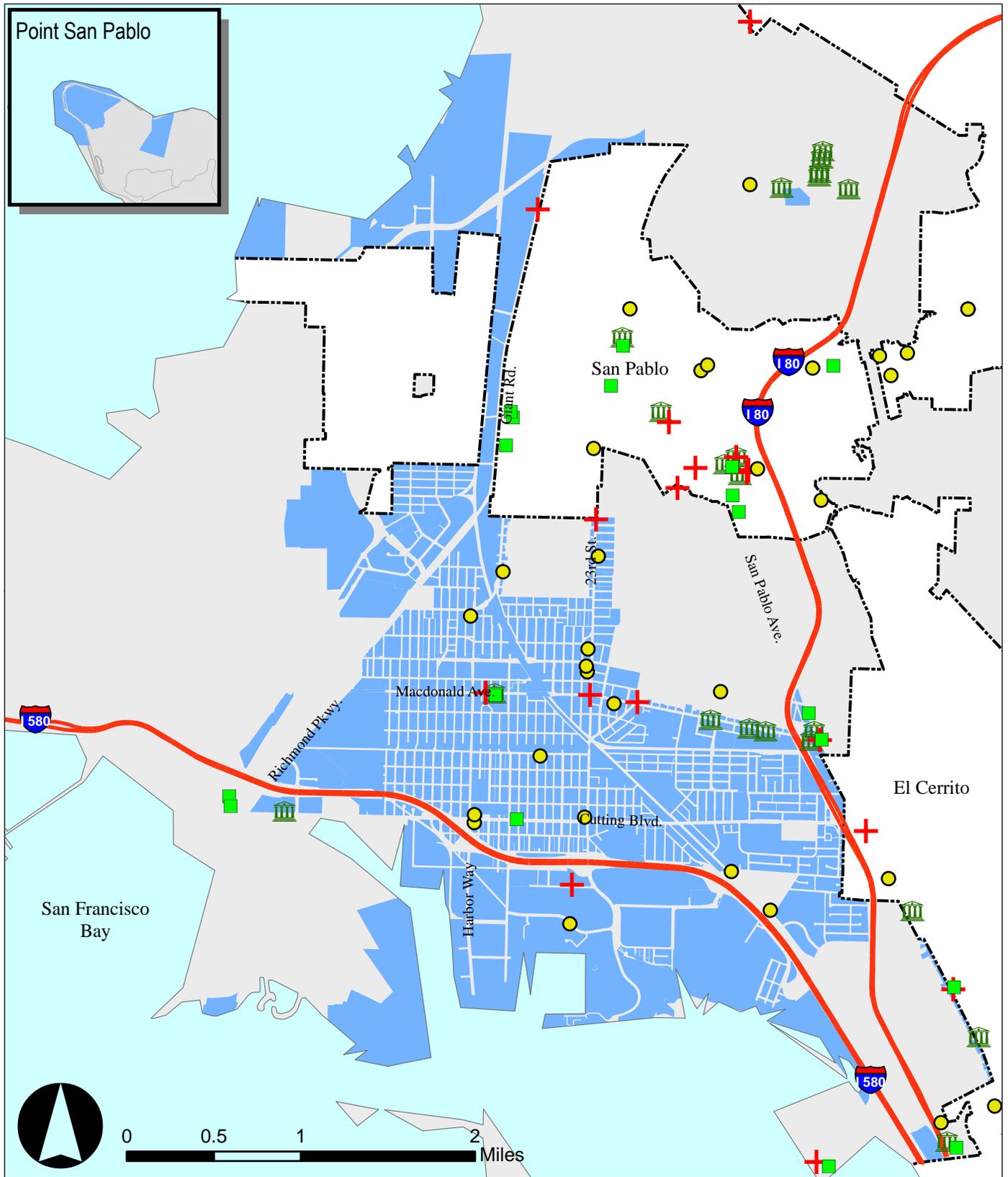
When an applicant applies for an alcoholic beverage license, ABC notifies the city and agencies such as the City’s police, health and planning departments. ABC also requires a 30-day posting period for public notification. ABC reviews and investigates the applicant during this time, and also considers if the license will be used in a problem area or an area with an over-concentration of licensed businesses. If an applicant meets the requirements set forth by ABC, ABC will grant the license if the number of licenses allowed has not been reached. However, if the applicant can prove that granting the license would serve a public necessity or convenience, then the license can be approved regardless of whether the maximum number of licenses has been reached. The number of licenses allowed in an area is determined by population according to the most recent U.S. Census.

The current ABC ratio is one on-sale license per 2,000 residents, and one off-sale license per 2,500 residents for the sale of hard liquor. ABC does not set restrictions for the number of outlets selling beer and wine only. Due to this limitation in liquor licensing, the number of outlets selling alcohol may actually be higher than regulated under ABC.

⁹⁴ Sturm R, Datar A, “Body mass index in elementary school children, metropolitan area food prices and food outlet density,” Public Health, Vol. 119 (12), pages 1059-1068, 2005.

⁹⁵ A package store is a term used by ABC to describe an outlet selling primarily alcoholic beverages.

Figure II-10
Neighborhood Commercial Facilities



	Pharmacies (6)		Full-Service Grocery Store or Fresh Produce Market (2)		Merged Project Area
	Banks (6)		Convenience Stores (12)		

Sources: California Nutrition Network, City of Richmond, US Census 2000.



In order to assess the number of alcoholic beverage licenses within the Merged Project Area, license data was obtained from ABC for the six Census tracts completely within the boundaries of the Merged Project Area.⁹⁶ According to the current ABC ratio, 15 on-sale licenses and 19 off-sale licenses could be licensed in the Census tracts located within the Merged Project Area. As of 2009, 14 establishments have active on-sale licenses and 27 establishments had active off-sale licenses in the Census tracts located within the Merged Project Area. The number of active off-sale licenses within these Census tracts is significantly greater than the ABC ratio of licenses to population.

Many of the off-sale establishments are concentrated along Macdonald Avenue and Barrett Avenue, sections of which run through Census tract 3750 in the 10-A Downtown Project Area. This tract has an over-concentration of off-sale licenses, with five active off-sale licenses in a tract where only three off-sale active licenses would be allowed under the ABC ratio. According to Lieutenant Marc Gagan of the Richmond Police Department (RPD), liquor stores in Richmond are associated with a high incidence of crime. In response to the problem of liquor store related crime in Richmond, the RPD created the Richmond Alcohol Permitting Program (RAPP) to help regulate the number and location of liquor stores throughout the City.

The multitude of bars and stores selling alcohol in the Merged Project Area can be seen in Table II-14, and the over-concentration along Macdonald Avenue and Barrett Avenue is clearly demonstrated in Figures II-10 and II-11. Many retail establishments near these adult-serving businesses have closed and have not been replaced, contributing to the decline of the area.

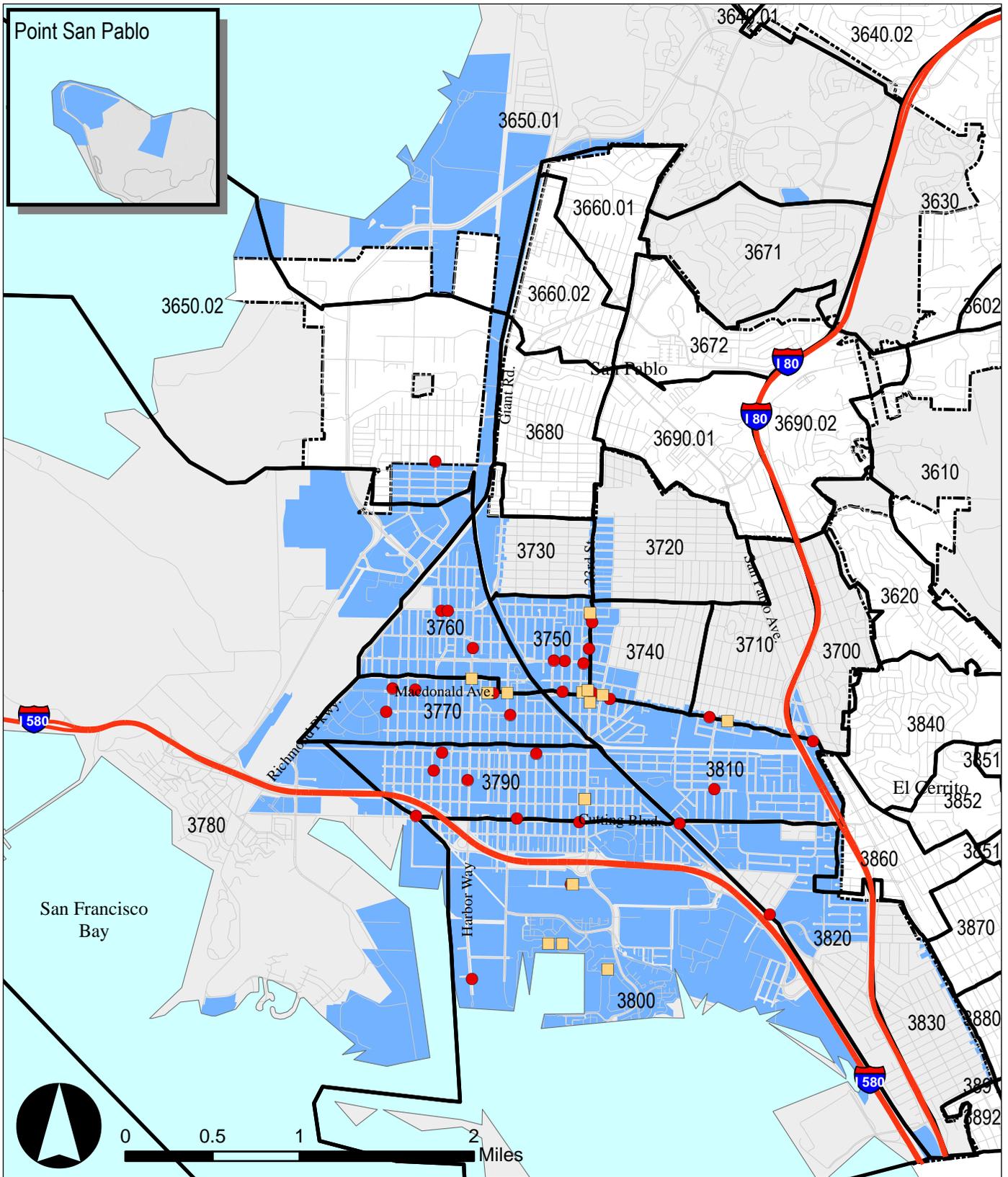
⁹⁶ Census tracts used for this analysis include 3750, 3760, 3770, 3790, 3800, and 3810. Other Census tracts not wholly located within the boundaries of the Merged Project Area were not included in the analysis.

**Table II-14
Active Alcoholic Beverage Licenses in the Merged Project Area by Census Tract**

Census Tract	Type	Description	Street Address
3750	Off-Sale	Package Store	2015 Macdonald Avenue
	Off-Sale	Package Store	2230 Barrett Avenue
	Off-Sale	Package Store	705 23rd Street
	Off-Sale	Package Store	2029 Barrett Avenue
	Off-Sale	Package Store	1913 Barrett Avenue
	On-Sale	Restaurant	325 23rd Street
	On-Sale	Bar, Night Club	2227 Macdonald Avenue
3760	Off-Sale	Package Store	630 Pennsylvania Avenue
	Off-Sale	Package Store	564 Harbour Way
	Off-Sale	Package Store	700 Pennsylvania Avenue
3770	Off-Sale	Package Store	95 Macdonald Avenue
	Off-Sale	Package Store	16 Bissell Avenue
	Off-Sale	Package Store	301 4th Street
	Off-Sale	Package Store	1434 Bissell Avenue
	Off-Sale	Package Store	1250 Macdonald Avenue
	On-Sale	Restaurant	1190 Macdonald Avenue
	On-Sale	Restaurant	1000 Nevin Avenue
3790	Off-Sale	Package Store	279 Harbour Way S.
	Off-Sale	Package Store	220 S. 6th Street
	Off-Sale	Package Store	1700 Ohio Avenue
	Off-Sale	Package Store	1501 Cutting Boulevard
	Off-Sale	Package Store	425 Cutting Boulevard
	Off-Sale	Package Store	112 S. 7th Street
	On-Sale	Bar, Night Club	371 S. 23rd Street
3800	Off-Sale	Package Store	1414 Harbour Way S.
	Off-Sale	Package Store	2230 Cutting Boulevard
	Off-Sale	Package Store	4801 Central Avenue
	Off-Sale	Package Store	2151 Meeker Avenue
	On-Sale	Restaurant	1950 Esplanade Drive
	On-Sale	Restaurant	2167 Meeker Avenue
	On-Sale	Restaurant	2171 Meeker Avenue
	On-Sale	Restaurant	1900 Esplanade Drive
On-Sale	Club	2580 Spinnaker Way	
3810	Off-Sale	Package Store	4838 Macdonald Avenue
	Off-Sale	Package Store	3625 Macdonald Avenue
	Off-Sale	Package Store	2500 Macdonald Avenue
	Off-Sale	Package Store	3717 Wall Avenue
	On-Sale	Restaurant	3829 Macdonald Avenue
	On-Sale	Restaurant	250 23rd Street

Source: California Department of Alcoholic Beverage Control, February 2009.

Figure II-11
 Location of Active On-Sale and Off-Sale Liquor Licenses

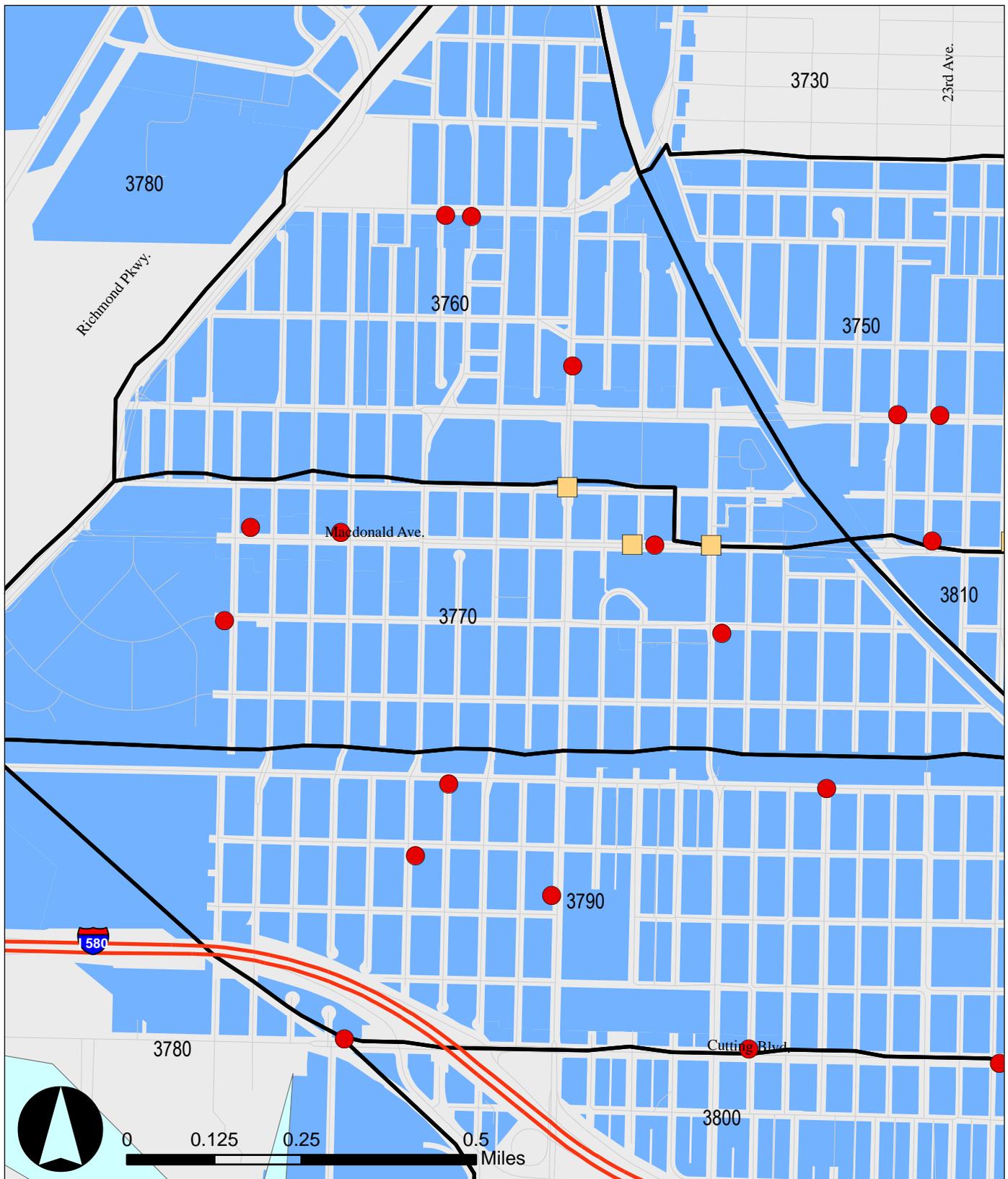


	Active On-Sale Liquor Licenses (16)		Census Tracts		City of Richmond
	Active Off-Sale Liquor Licenses (32)		Merged Project Area		

Sources: Table 11-14, California Department of Alcoholic Beverage Control; Richmond Community Redevelopment Agency; Seifel Consulting Inc.



Figure II-12
 Location of Active On-Sale and Off-Sale Liquor Licenses - Central Richmond



	Active On-Sale Liquor Licenses (3)		Census Tracts		City of Richmond
	Active Off-Sale Liquor Licenses (18)		Merged Project Area		

Sources: Table 11-14, California Department of Alcoholic Beverage Control; Richmond Community Redevelopment Agency; Seifel Consulting Inc.



6. High Crime Rates [33031(b)(7)]

A high crime rate that constitutes a serious threat to public safety and welfare is a factor of economic blight. The Merged Project Area is impeded by a high crime rate that inhibits the proper use of buildings and lots, and contributes to the economic stagnation of the area. The high crime rate also constitutes a serious threat to public safety and the welfare of the area's citizens. The rate of violent crimes is particularly high in the Merged Project Area. The high crime rate contributes to the creation of a negative image and an intimidating environment for residents, businesses and visitors.

In recent decades, the City of Richmond has struggled with high crime rates. Despite efforts by law enforcement, other city staff and its residents, Richmond was ranked the ninth most dangerous city in the country and the second most dangerous city in California in a 2008 ranking study by the Morgan Quitno Press based on an analysis of FBI crime data from 2007. The overall high crime rates in Richmond are reflective of the high crime rates in the Merged Project Area.

The Merged Project Area is made up of 51 of the 280 reporting districts and 13 of 32 neighborhood districts that the RPD uses for its analysis of crime data. (Please see the RPD reporting and neighborhood district maps in Appendix C.) The crime analysis presented below focuses on Part I crime offenses: violent crimes (murder, rape, robbery, and aggravated assault) and property crimes (burglary, vehicle theft, larceny theft, and arson). Seifel collected and analyzed data and information on Part I crimes for the reporting and neighborhood districts, and performed interviews with the RPD.

The rates of crime, particularly of murder and all violent crimes, are significantly higher in the Merged Project Area than in Contra Costa County and the State of California.⁹⁷ In 2007, the most recent year for which a complete annual dataset was available, the per capita Part I crime rate in the Merged Project Area was 560 crimes per 10,000 people compared to 335 Part I crimes per 10,000 people for the County and 347 Part I crimes per 10,000 people for the State, as shown in Table II-15.

Violent crimes (murder, rape, robbery and aggravated assault) also occur at a high rate in the Merged Project Area. In 2007, the per capita rate of violent crime (139 per 10,000) in the Merged Area was nearly twice the level of the rest of Richmond (80 per 10,000) and three times the levels of both the County (40 per 10,000) and the State (51 per 10,000) per capita rate of violent crime, as shown in Table II-15. Such a high rate of violent crime is a serious threat to public safety and welfare.

⁹⁷ Rates of property crimes in the Merged Project Area were significantly greater than the rates in the state, county and the rest of Richmond, with the exception of the rates for two categories of property crimes. Specifically, the auto theft and larceny theft rates in the Merged Project Area were significantly greater than the state and county rates, however they were lower than the rate in the rest of the Richmond

**Table II-15
Part I Crimes per 10,000 Residents in 2007^a**

	Merged Project Area	Rest of Richmond	Ratio^b	Contra Costa County	Ratio^b	California	Ratio^b
Violent Crimes							
Murder	6.56	2.91	225%	0.81	814%	0.60	1097%
Rape	3.38	3.64	93%	1.46	232%	2.38	142%
Robbery	55.84	42.21	132%	18.35	304%	18.66	299%
Aggravated Assault	72.98	31.47	232%	19.62	372%	28.88	253%
Subtotal	138.76	80.23	173%	40.24	345%	50.52	275%
Property Crimes							
Burglary	132.42	116.25	114%	61.97	214%	62.69	211%
AutoTheft	162.66	280.18	58%	71.54	227%	58.02	280%
Larceny Theft	121.20	247.43	49%	159.02	76%	172.50	70%
Arson	5.29	2.55	208%	2.03	260%	3.02	175%
Subtotal	421.57	646.41	65%	294.56	143%	296.23	142%
Total	560.33	726.64	77%	334.80	167%	346.75	162%

a. Per capita calculations were made using population data from 2000 Census and California Department of Finance.
b. Indicates the extent to which the Merged Project Area crime rate exceeds the rest of Richmond, the county and the state. Calculated by dividing the Merged Project Area per capita rate by the rest of Richmond, county and state per capita rate.
Source: Richmond Police Department, California Department of Finance, Seifel Consulting Inc.

The average annual murder rate in the Merged Project Area has been higher than in the rest of Richmond, as well as in the County and State. Over the same time period, the average number of murders per capita in the Merged Project Area was 5.98 murders per 10,000 residents, compared to 2.32 in the rest of Richmond, 0.80 in the County and 0.64 in the State, as shown in Table II-16. On average, for the period of 2004 through 2007, the Merged Project Area accounted for 70 percent of all murders in Richmond.

**Table II-16
Average Number of Murders Per 10,000 Residents Per Year
2004-2007**

	Murders Per 10,000 Residents Per Year
Merged Project Area	5.98
Rest of Richmond	2.32
Contra Costa County	0.80
California	0.64

Source: Richmond Police Department, Office of the Attorney General, Seifel Consulting.

According to Lieutenant Mark Gagan of the RPD, the City's major hot spots for violent street-level crime are located in the areas west of 23rd Street and south of Ohio Avenue in Central Richmond. This area, which forms an L-shaped region, spans the 8-A Hensley, 10-A Downtown and 10-B Nevin Project Areas within the Merged Project Area, and contains the Iron Triangle, one of the city's most dangerous neighborhoods. Lieutenant Gagan stated that the majority of violence in this L-shaped region is a result of substance abuse, gang and juvenile delinquency-related activities. Lieutenant Gagan also reported that safety is a primary concern for residents living in the area.

In 2006, the RPD began to focus on the L-shaped region to address the crimes in the neighborhood using creative tactics such as community crime prevention walks and distributing free steering wheel locks to prevent auto thefts.⁹⁸ While this area has seen improvements, the Merged Project Area still suffers from a high crime rate compared to other parts of Richmond, and continues to be perceived as an area with a high crime rate. In addition, due to the recent mortgage crisis, the Merged Project Area has experienced a dramatic increase in crimes that are related foreclosed homes. According to Lieutenant Gagan, "among fifteen houses, nine will be boarded up" in areas such as the Iron Triangle. Lieutenant Gagan reports that the foreclosures are disrupting neighborhood stability and have increased code enforcement needs. Property crimes have also risen as a result of criminals stealing metal wiring and plumbing from empty homes to sell on the informal market.

The high rate of crime, especially violent crime in the Merged Project Area, constitutes a serious threat to public safety and welfare, including health.⁹⁹ The murder rate, which is among the highest in the United States, creates a dangerous environment that affects both residents and businesses in the area, and contributes to a negative image of the Merged Project Area. As described in more detail above, real estate agents who broker commercial property in the area have said that the publicized incidents of crime and the perception of crime makes the area unappealing to business owners. The high crime rates significantly diminish the welfare of the local citizens and exacerbate the economic stagnation in the area.

F. Inadequate Public Improvements

Under the current CRL, the presence of inadequate public improvements or inadequate water or sewer utilities cannot be the sole basis for characterization of an area as blighted. However, as specified in CRL Section 33030(c), such conditions may be considered as a contributing factor to blight when both physical and economic blighting conditions are present in a project area. Public improvement deficiencies negatively impact the Merged Project Area. The need for significant public improvements tends to result in a disincentive to redevelop and invest in properties, given the added costs associated with public improvements.

Public improvement deficiencies were observed during the Field Survey in the Merged Project Area and were confirmed by various City reports and interviews with City and Agency staff. The text below describes these deficiencies in more detail.

⁹⁸ Chip Johnson. Community Policing Bears Fruit in Richmond. San Francisco Chronicle. January 13, 2009.

⁹⁹ Physical insecurity and violence restricts residents to their homes and limits their ability to undertake activities to promote healthy living such as exercise. Krieger, James, MD and Donna Higgins, PhD. Housing and Health: Time Again for Public Health Action. American Journal of Public Health. May 2002, Vol 92, No 5.

Inaccessible Open Space and Outdated Recreational Facilities

Some parks and open spaces located in the Merged Project Area have accessibility challenges, which negatively impact public safety, ADA compliance and physical access. The parks and open spaces also contain outdated recreational facilities. The majority of parks in Richmond are classified within one of three service levels: citywide parks, district centers providing community facilities and public meeting space, and neighborhood parks serving residents within a one-half-mile radius.

The Agency has undertaken projects to improve accessibility to open space and update recreational facilities in the Merged Project Area. In 2007, the Agency assisted in the conversion of a defunct Santa Fe railroad line, which runs parallel to and just north of Ohio Avenue, into a multi-use pedestrian and bicycle path known as the Richmond Greenway. The Greenway trail connects various neighborhoods in east and west Richmond, as well as improves access to recreational space for these areas. The Agency has also assisted in the redesign of Nevin Park, located in the Iron Triangle, as part of the Macdonald Avenue Revitalization Plan. The park had been plagued with crime problems, exacerbated by the configuration of the park's topography, which limited surveillance from the surrounding residential neighborhood streets. The redesign of the Nevin Park addresses the community's concern for public safety by allowing for improved public surveillance and "eyes on the park." Since its reopening, Nevin Park has already seen a dramatic increase in usage by families living in the area and it is recognized as the new jewel of the Iron Triangle. While the Agency has made great strides to increase access to and improve parks and recreational facilities, further work remains in other parts of the Merged Project Area.

Poor Street Conditions

According to a 2007 study by the Metropolitan Transportation Commission (MTC), the City of Richmond is among the bottom seven out of 106 Bay Area jurisdictions reporting on average pavement conditions.¹⁰⁰ Poor street conditions are particularly prevalent in the Merged Project Area. In 2008, the City of Richmond and Nichols Consulting Engineers surveyed and rated street conditions according to the Pavement Condition Index (PCI). The PCI ranges from 0 to 100, with the following definitions:

- 77-100 Excellent
- 70-76 Good
- 50-69 Fair
- 25-49 Poor
- 0-24 Very Poor/Failed



202: 8-A Hensley (7th Street and Essex Avenue) Missing sidewalk sections and deteriorated street pavement.

¹⁰⁰ Pavement Condition Index (PCI) for Bay Area Jurisdictions, Metropolitan Transportation Commission, 2007.

As shown in Figure II-13, the Merged Project Area contains numerous street segments in poor condition (PCI level 25-49) and very poor/failed condition (PCI level 0-24). These streets are distributed widely throughout the Merged Project Area, with heavy concentrations in 1-C Potrero, 8-A Hensley, and the Central Richmond portion of the 10-B Nevin Project Area. Examples of poor street conditions are shown in pictures below.

Particular street segments in the Merged Project Area are in deteriorated condition and have substantial deficiencies, such as Western Drive, the primary road accessing the Point San Pablo Added Area. Western Drive and a private road owned by Chevron that leads to the Point San Pablo Yacht Harbor both have difficult terrain. The Point San Pablo Yacht Harbor primarily maintains the Chevron owned road. The road suffers from inadequate or missing drainage, paving, curbs and sidewalks, and lane or edge markings. Roads within Terminal 4 are also deteriorated and lack adequate maintenance. The roads are further compromised due to abandoned, inoperable railroad tracks that are located throughout Terminal 4.



1694: 10-B Nevin (42nd Street between Florida and Ohio Avenue) Very poor street pavement condition on 42nd Street.

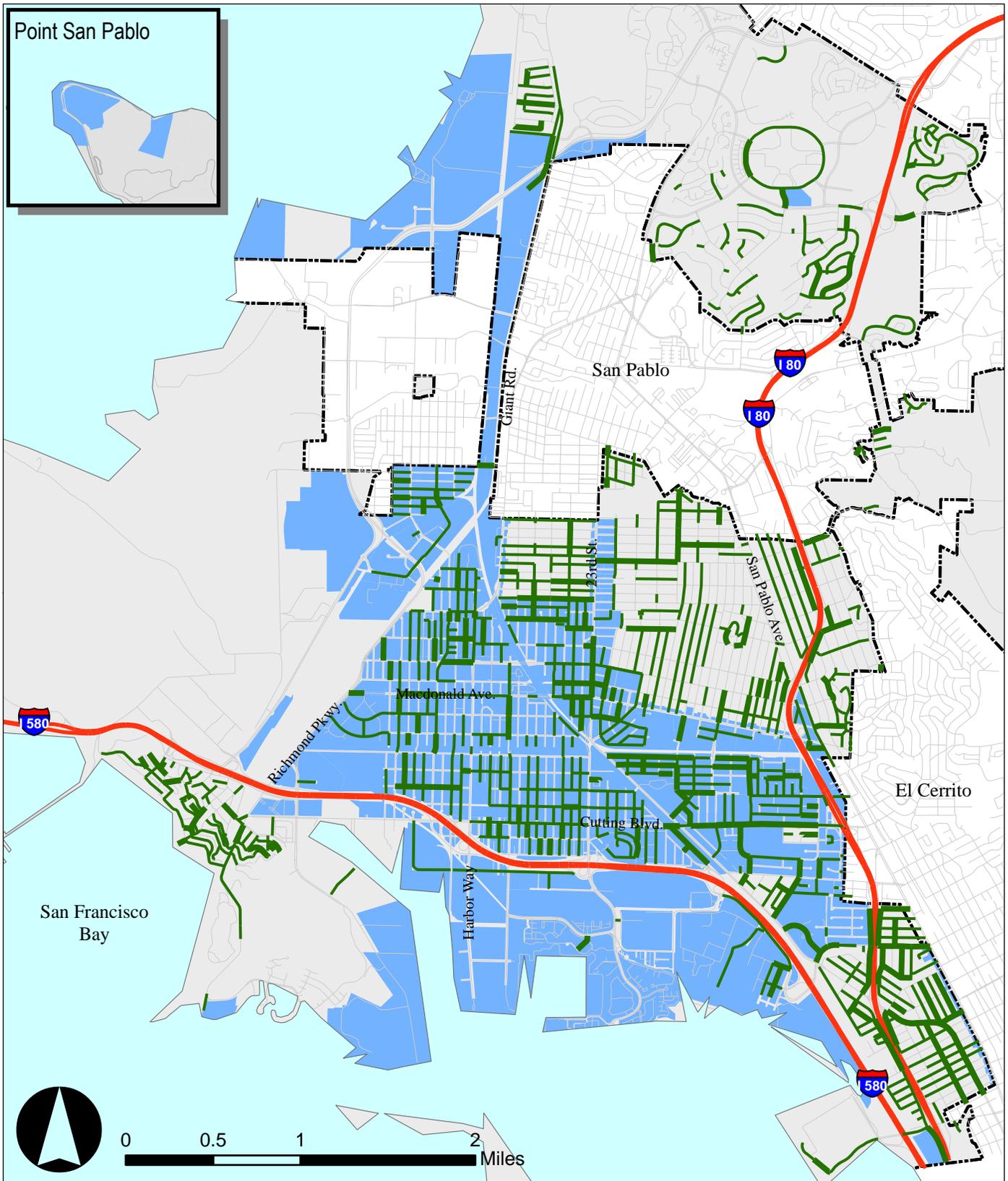


79: 10-B Nevin (Turpin Street and Barrett Avenue) Extensive deterioration of street pavement along alley.

Rehabilitating deteriorated roads can be very costly. Nichols Consulting Engineers, Chtd estimated the cost of repairing roads in poor condition at \$27 to \$31 per square yard and reconstructing roads in very poor/failed condition at \$42 to \$108 per square yard, adding up to millions of dollars in potential street rehabilitation costs in the Merged Project Area.¹⁰¹

¹⁰¹ 2003-04 Pavement Management Program Update, Final Report, City of Richmond, July 23, 2004, p. i.

Figure II-13
 Poor and Very Poor/Failed Street Conditions Documented in 2008



 Very Poor / Failed (PCI Index: 0-24)	 Merged Project Area
 Poor (PCI Index: 25-49)	 City of Richmond

Sources: Nichols Consulting Engineers, Richmond Community Redevelopment Agency.



Impaired Circulation and Accessibility

As discussed above, sections of the Merged Project Area suffer from impaired circulation and accessibility due to the presence of active and defunct railroad lines causing unsafe roadway conditions. The active Burlington Northern - Santa Fe (BNSF) and Union Pacific (UP)/Amtrak and BART lines, as well as other inactive lines, cut through the central and southern portions of the Merged Project Area, impeding pedestrian and vehicular circulation on several major thoroughfares in the Merged Project Area, including Cutting Boulevard, Harbour Way South, Marina Way South and Marina Bay Parkway. Of almost all the 40 blocks that intersect the railroad lines, only ten streets cross the railroad lines, impeding north/south travel.

In the central portion of the Merged Project Area, local and regional street networks impair access within and around the area, such as the John T. Knox Freeway (I-580) to the south and the Richmond Parkway (Garrard Boulevard) to the west. These conditions act as barriers to the area, effectively cutting off access from all directions.

Sections of the 10-B Nevin Project Area west of the Richmond Parkway suffer from poor circulation and accessibility due to the lack of public roads in the area. This area has few points of access from bordering roads. The existing roads are in fair to poor condition and the majority of these roads are privately owned. Many of the roads are deteriorated and do not meet current standards and configurations. The roads are further compromised due to abandoned, inoperable railroad tracks.

The Point San Pablo section of the Merged Project Area also lacks adequate accessibility. Western Drive is the only point of ingress and egress to the area. This road is in poor condition, lacks sufficient drainage, and is narrow and without proper safety rails and shoulders at sharp turns with steep drop offs. The Point San Pablo Yacht Harbor currently is only accessible by a privately owned road.

The accessibility and circulation problems create unsafe roadway conditions. According to a 2007 report by the MTC and Caltrans, Richmond had the highest annual average number of injury and fatal motor vehicle collisions involving pedestrians in Contra Costa County between 2002 and 2006.¹⁰² Therefore, Richmond suffers from a high rate of traffic injury and fatality compared to other jurisdictions within the county.

Public Transit Deficiencies

While the Merged Project Area and the City of Richmond are connected to the major hubs within the Bay Area via highways, such as I-80, and existing public transit modes, such as BART and AC Transit, the MTC has recognized a greater need for alternative modes of transportation, such as water transit, as part of its Regional Transit Expansion Plan, to mitigate congestion on existing modes, particularly as population and economic growth accelerate in the Bay Area.¹⁰³

¹⁰² Metropolitan Transportation Commission and Caltrans, *Injury and Fatal Motor Collisions Involving Bicyclists and Pedestrians by Bay Area Jurisdiction*, 2007, p. 3.

¹⁰³ Metropolitan Transportation Commission. *Regional Transit Expansion Program. 2008 Strategic Plan.*

The MTC also recognizes that the Richmond needs alternative means of transportation in the case of a major natural disaster such as an earthquake.¹⁰⁴ During the aftermath of the 1989 Loma Prieta Earthquake, ferry service between San Francisco and the East Bay was critical while the San Francisco-Oakland Bay Bridge was under repair.¹⁰⁵

For example, more recently, the ferries were critical when the Bay Bridge was shut down in both directions due to construction over the Labor Day weekends in 2006 and 2007.¹⁰⁶ The ferries will again prove to be a significant alternative mode of transportation when the bridge may be shut down for any other purposes.

In addition to creating new modes of transportation, public transit projects have the potential to create significant public benefits, including environmental sustainability, job creation, increased tourism, and recreation. Communities may also gain significant economic benefits from public transit projects, such as increased value and income for property owners, market expansion and increased productivity for businesses, and enhanced tax revenues for local governments.¹⁰⁷

Stormwater and Wastewater System Deficiencies

The Merged Project Area has separate sewer and stormwater systems, which were originally installed when the streets were laid out. These systems are older and most likely in need of repair. The Richmond Department of Public Works is currently in the process of evaluating these systems with the international firm of Veolia Water. Veolia will be assessing the citywide system to determine the extent of repair and/or replacement needed.

Particular areas of concern within the Merged Project Area include standing water throughout Terminal 4 and in the Point San Pablo Yacht Harbor, which indicate storm drainage problems. The Point San Pablo Yacht Harbor also lacks connection to the City's sewer system. According to the DEIR, sewage generated in this area is locally collected and trucked to the Richmond Municipal Sewer District treatment plant on Canal Boulevard in Point Richmond.¹⁰⁸

G. Conclusions for Blight Findings

The Merged Project Area suffers from significant, substantial and prevalent remaining blighting conditions. The physical and economic blighting conditions are summarized below, and have been described in greater detail throughout this section. These conditions are:

- Unsafe and unhealthy buildings (Section D.1),
- Conditions hindering the viable use of buildings or lots (Section D.2),
- Depreciated or stagnant property values (Section E.1),
- Impaired property values due to hazardous wastes (Section E.2),

¹⁰⁴ Metropolitan Transportation Commission. "Bay Area Christens Gemini, the Nation's Most Environmentally Friendly Ferry." Transportation News. December 12, 2008.

¹⁰⁵ San Francisco Bay Crossings, http://www.baycrossings.org/Archives/2001/01_March/ferry_service_to_richmond.htm

¹⁰⁶ Cabanatuan, Michael. "Bay Bridge to Shut Labor Day Weekend." San Francisco Chronicle. April 9, 2009.

¹⁰⁷ American Public Transportation Association. "Building Investment Value in Our Economy and Marketplace." http://www.publictransportation.org/reports/asp/building_investment_value.asp

¹⁰⁸ DEIR (2005), p. 7-4.

- Economic indicators of distressed buildings (Section E.3),
- Serious Lack of Neighborhood Commercial Facilities (Section E.4)
- Excess problem businesses (Section E.5),
- High crime rates (Section E.6), and
- Inadequate public improvements (Section F).

The Merged Project Area contains a significant number of deteriorated residential, retail and industrial buildings that are unsafe or unhealthy places for people to live or work. This condition results from a combination of age, seismic susceptibility and lack of regular maintenance. In addition, some of these buildings are functionally obsolete because they are inconsistent with current development standards such as building code requirements and modern building configurations.

Residential property values in the Richmond have depreciated significantly over the past year, and property values in the Merged Project Area are disproportionately lower than property values outside the Merged Project Area and citywide. This finding is in part due to the high numbers of residential foreclosures, with foreclosures in the Merged Project Area reselling for values much lower than foreclosed properties outside the Merged Project Area. The presence of contamination from hazardous materials impairs property values on parcels throughout the Merged Project Area, but especially in 8-A Hensley, 8-A Harbor Gate, 10-A Downtown, 10-B Nevin and 11-A Harbour. Abandoned residential and commercial buildings, and abnormally low lease rates indicate economic distress and deter growth in property values, neighborhood safety and new business investment. The Merged Project Area is underserved by essential neighborhood serving facilities, such as grocery stores, banks and pharmacies. The Merged Project Area has many more business establishments with active off-sale liquor licenses than permitted by the ABC, especially in central Richmond. This high number of problem businesses has led to problems of public safety and welfare. A considerably higher than normal level of crime is a problem in the Merged Project Area as well, contributing to the economic stagnation.

Inadequate public improvements exacerbate blighting conditions in the Merged Project Area. Poor street conditions, impaired circulation and accessibility, public transit deficiencies, inadequate sewage and drainage infrastructure, and inadequate parks and open space also detract from the physical and economic vitality of the Merged Project Area.

These significant, substantial and prevalent remaining physical and economic blighting conditions results in a significant physical and economic burden on the immediate area and the entire Richmond community. This blight cannot reasonably be alleviated by private sector or governmental action without the additional financial resources that would be made possible by the proposed Plan Amendment.

III. Redevelopment Program Description

A. Introduction

This chapter describes the Agency's Redevelopment Program. The Redevelopment Program builds upon the Agency's past and current redevelopment efforts, and includes projects and activities designed to alleviate remaining blight in the Merged Project Area. This chapter summarizes the goals and objectives of the Merged Redevelopment Plan and explains how the projects and activities of the Redevelopment Program will alleviate the remaining blight documented in Chapter II. Finally, this chapter presents estimates of the cost of each proposed redevelopment program category and the entire Redevelopment Program.

1. Chapter Organization

This chapter is organized into the following sections:

- A. Introduction
- B. Merged Redevelopment Plan Goals and Objectives
- C. Relationship Between the Redevelopment Program and Alleviation of Blighting Conditions
- D. Description of Agency's Non-Housing Redevelopment Program
- E. Description of Agency's Affordable Housing Program
- F. Summary of Redevelopment Program Costs

2. Redevelopment Program Summary

The Merged Project Area consists of nine Constituent Project Areas originally adopted between 1954 and 1975. In 1999, the Agency amended the Constituent Redevelopment Plans to, among other items, fiscally merge the nine Constituent Project Areas to enable the pooling of tax increment revenue among them and have a combined Redevelopment Program (Redevelopment Program). Since the merger, the Agency has undertaken a number of projects and activities to alleviate blight and some areas are no longer blighted. However, as documented in Chapter II, significant physical and economic blighting conditions remain throughout the Merged Project Area. The presence of these blighting conditions warrants continued redevelopment activities within the boundaries of the Merged Project Area. The Redevelopment Program has been designed in an integrated and balanced manner to address the remaining blighting conditions in the Merged Project Area and to achieve the goals of the Merged Redevelopment Plan.

The Redevelopment Program, as presented in this report, is a comprehensive set of projects and activities designed to alleviate remaining blight in the Merged Project Area, promote economic development throughout the Richmond community, and encourage infill development that will create housing opportunities for residents of all income levels. The Redevelopment Program includes critical resources for commercial and industrial development, remediation of contaminated sites, beautification, recreational and cultural arts projects, and public infrastructure and transit improvements in the future. In addition, the Redevelopment Program reaffirms the Agency's commitment to affordable housing development with program funds devoted specifically for affordable housing activities.

The Redevelopment Program consists of both non-housing and housing projects and activities that are divided into eight redevelopment program categories¹:

- Planning, Property Acquisition, Site Preparation, and Toxic Remediation
- Commercial and Industrial Attraction, Retention and Expansion
- Commercial Rehabilitation
- Business Development
- Public Improvements
- Beautification
- Cultural Arts and Recreational Improvements
- Affordable Housing

The Redevelopment Program contains projects and activities that will alleviate the most significant adverse conditions identified in Chapter II. These projects will provide both immediate and long-term benefits. Most of the activities will occur throughout the Merged Project Area and some projects will create benefits that extend beyond the borders of the Merged Project Area, thereby enhancing the region as a whole. Some planned activities are specific to each Constituent Project Area in order to reflect the particular conditions within and needs of each Constituent Project Area. All components of the Redevelopment Program are designed to meet the objectives of the CRL and the goals and objectives of the Merged Redevelopment Plan.

As further described in Section F below, the Agency's estimated costs of implementing the Redevelopment Program in constant 2010 dollars are \$529.3 million for the Non-Housing Redevelopment Program and \$371.9 million for the Affordable Housing Program.^{2,3} Chapter IV discusses how the Redevelopment Program will be financed primarily from tax increment revenue generated from the Merged Project Area in combination with other leveraged private and public financial resources.

B. Merged Redevelopment Plan Goals and Objectives

The Merged Redevelopment Plan identifies goals and objectives designed to guide the implementation of the Redevelopment Program. These goals and objectives are consistent with the goals and objectives of the previously adopted Constituent Redevelopment Plans as the Agency has worked to build upon the efforts of previous community planning and redevelopment activities. The Redevelopment Program also aims to achieve the purposes of the CRL and General Plan of the City of Richmond. Together with the City's land use policies, these

¹ The order of presentation of the Redevelopment Program categories is for identification purposes only and is not intended to indicate the categories' relative priority.

² The term 2010 dollars or constant 2010 dollars is used to indicate the present value of future dollars discounted back to FY 20009/2010. For more information, refer to discussion on present value assumption in Section G.2 of Chapter IV.

³ The Agency's Non-Housing Redevelopment Program costs are the available funds projected to remain over the life of the redevelopment plans after the deduction of pass through payments to taxing entities, the affordable housing set-aside fund, and Agency's non-housing administration costs.

objectives will continue to guide the direction of all future development within the Merged Project Area. The goals and objectives are as follows:⁴

General Goals for the Merged Project Area

- The revitalization of areas suffering from economic hardship and underutilization.
- The redevelopment, replanning, and/or redesign of areas that are stagnant, impaired or improperly utilized, which without redevelopment assistance could not be accomplished.
- The protection and promotion of sound development and redevelopment of blighted areas.
- The improvement of the general welfare of the citizens of the City by remedying adverse conditions through the implementation of corrective programs and activities.
- The installation of new or the upgrading of existing public improvements, facilities and utilities in areas where public improvements, facilities and utilities are deficient.
- The preservation, improvement and expansion of the community's supply of housing, including opportunities for low and moderate income households.
- Smart growth that, with concern for long-term implications on the community and the region, focuses on coordinated, sustainable and transit oriented development designed to create more livable neighborhoods, stimulate economic activity, and provide more accessible land use patterns and efficient infrastructure investments.

Objectives to Achieve Goals for the Merged Project Area

- Facilitate the elimination of blighting influences and the correction of deficiencies, including, but not limited to, abnormally high building vacancies; abandoned, deteriorated and dilapidated buildings; underutilized land; depreciated property values; and deficient public improvements, facilities and utilities.
- Assist with the removal of structurally substandard buildings to permit the return of land to economic use through new construction.
- Facilitate rehabilitation of those structures that are culturally, historically, physically, and aesthetically worthy of rehabilitation, with emphasis on owner participation.
- Assist with the abatement of environmental deficiencies including earthquake hazards, inadequate street and alley layout, incompatible land uses, lots of inadequate size, shape, or accessibility, hazardous materials, and site contamination.
- Work with the private sector to stimulate private investment thereby improving the City's economic health, tax base and employment opportunities.
- Facilitate the assembly and disposition of land to achieve more productive and more appropriate land uses.
- Provide flexibility in redevelopment activities to respond readily and appropriately to evolving market conditions.
- Assist with the implementation of applicable specific plans.
- Encourage participation of residents, businesspersons, property owners, and community organizations in the redevelopment of the Merged Project Area and the community enhancement and economic development that will follow.

⁴ Goals and objectives are excerpted from the Draft Merged Redevelopment Plan.

- Provide public improvements needed to support other objectives of the Merged Redevelopment Plan, including but not limited to, sanitary and storm sewer facilities, traffic control devices, utility upgrading, streetscape improvements, and recreational and community facilities. Such improvements may be in any part of the Merged Project Area, or beyond the Merged Project Area boundaries where found to be of primary benefit to the Project Area.
- Enhance commercial, retail, research and development (R&D), and industrial development opportunities and increase employment and economic development opportunities, by stimulating private investment.
- Support locally owned small businesses and local entrepreneurship.
- Enhance public transit opportunities to and within the Merged Project Area to the extent feasible.
- Assist with the expansion and upgrade of housing opportunities in the community to alleviate blighting conditions and improve the housing stock in a manner consistent with the Housing Element of the General Plan and the provisions of the California Redevelopment Law.
- Achieve the objectives described above in the most expeditious manner feasible.

C. Relationship Between the Redevelopment Program and the Alleviation of Blighting Conditions

The foremost objective of the Merged Redevelopment Plan is to eliminate physical and economic blight in the Merged Project Area. Therefore, the projects and activities that comprise the Redevelopment Program have been carefully crafted to alleviate the blighting conditions that remain in the Merged Project Area, as well as to achieve the objectives and goals listed in the Merged Redevelopment Plan, as summarized above in Section B.

In general, the Redevelopment Program is designed to:

- Revitalize areas that exhibit physical and economic blight
- Stimulate private investment and complementary development
- Improve circulation, public infrastructure and public facilities
- Provide tax increment funds for the redevelopment activities that are needed to alleviate blighting conditions
- Produce affordable housing, including rental and ownership units

The projects and activities of the Redevelopment Program are necessary because the Merged Project Area continues to exhibit substantial and prevalent blighting conditions, as documented in Chapter II, that constitute a serious physical and economic burden on the community. Table III-1 provides a matrix summarizing the relationship between the blighting conditions described in Chapter II and the projects and activities proposed to alleviate these conditions. Sections D and E summarizes the Redevelopment Program and the deficiencies to be corrected by the Redevelopment Program.

Table III-1
How Redevelopment Program Activities Will Alleviate Blighting Conditions

	Economic Development				Community Enhancement			Affordable Housing
	Planning, Property Acquisition, Site Preparation, and Toxic Remediation	Commercial and Industrial Attraction, Retention and Expansion	Commercial Rehabilitation	Business Development	Public Improvements	Beautification	Cultural Arts and Recreational Improvements	
Blighting Conditions								
Physical Blight								
Unsafe or Unhealthy Buildings	■		■		■	■		■
Conditions Hindering Viable Use of Buildings or Lots	■	■	■		■	■		■
Economic Blight								
Depreciated or Stagnant Property Values	■		■		■	■		■
Impaired Property Values Due to Hazardous Wastes	■	■	■		■			■
Indicators of Economically Distressed Buildings	■	■	■	■	■	■	■	■
Serious Lack of Neighborhood Commercial Facilities	■	■	■		■			
Excess of Problem Businesses			■	■	■			
High Crime Rates	■	■	■	■	■	■	■	■
Other								
Inadequate Public Improvements	■	■			■	■	■	■

Source: Richmond Community Redevelopment Agency, Seife1 Consulting Inc.

D. Description of Agency's Non-Housing Redevelopment Program

The Agency's Redevelopment Program is organized broadly into three categories that reflect the division of tax increment revenues into funds that can be used for any redevelopment purpose (Non-Housing Redevelopment Program) and those specifically related to the Agency's affordable housing endeavors (Affordable Housing Program). The order of the categories presented is for identification purposes only and is not intended to indicate the category's relative priority for implementation.

- Economic Development
 - Planning, Property Acquisition, Site Preparation, and Toxic Remediation
 - Commercial and Industrial Attraction, Retention and Expansion
 - Commercial Rehabilitation
 - Business Development
- Community Enhancement
 - Public Improvements
 - Beautification
 - Cultural Arts and Recreational Improvements

This section describes the Agency's Non-Housing Redevelopment Program, including the deficiencies to be corrected and program category descriptions. The projects and activities are intended to reflect the general statement of goals and objectives that are contained in the Merged Redevelopment Plan. As they are implemented, these projects and activities may be modified over time to better serve the purposes of redevelopment.

1. Economic Development

The proposed economic development activities are divided into four categories of projects and activities, as follows:

- Planning, Property Acquisition, Site Preparation, and Toxic Remediation
- Commercial and Industrial Attraction, Retention and Expansion
- Commercial Rehabilitation
- Business Development

a. Planning, Property Acquisition, Site Preparation, and Toxic Remediation

Blighting Conditions to be Alleviated

The Merged Project Area suffers from physical and economic blighting conditions that impede efficient and economically feasible development, as described in detail in Chapter II. The physical blighting conditions to be addressed throughout the Merged Project Area include deteriorated and dilapidated buildings, obsolete and substandard industrial properties, the presence of hazardous wastes and contaminated sites, and lack of neighborhood commercial

facilities in the Merged Project Area. Related to these physical blighting conditions, the area also suffers from impaired property values, low lease rates, and a high crime rate.

Projects and Activities

The following projects and activities will facilitate in the planning and acquisition of properties within the Merged Project Area. This program will also provide funding and other assistance to aid in site preparation and remediation, and will be utilized in conjunction with the commercial and industrial attraction, retention, expansion, and rehabilitation activities listed below.

- Identify and assess underutilized commercial and industrial parcels and work with property owners to improve and reorganize facilities in order to attract new or expand existing businesses, enhance property value and create jobs on those sites.
- Facilitate the assembly, consolidation and disposition of land to achieve more productive and more appropriate land uses and, if necessary, acquire strategic properties to meet redevelopment goals.
- Plan for the development of key sites and facilitate the location of compatible uses near the key sites.
- Plan and locate an industrial park that will serve as an industrial buffer and, where appropriate, be a resource for non-conforming job shops currently located in residential areas.
- Assist with the removal or rehabilitation of unsafe, hazardous buildings or other substandard structures on key development sites to permit the return of property to economic use through new construction and rehabilitation.
- Offer, when necessary, assistance to land owners and public agencies in the assessment of potentially hazardous materials on brownfield sites. Provide further assistance in planning and/or funding remediation of hazardous materials and contaminants on affected sites, such as at Terminal 4.
- Recruit and assist developers who can remediate and redevelop sites contaminated with hazardous wastes.
- Assist with the cleanup of hazardous materials (if indicated by brownfield studies and other City initiatives), subject to reimbursement from responsible parties if possible.
- For Agency assisted projects, provide assistance to temporarily or permanently relocate business tenants displaced by new development or redevelopment.
- Work with private developers working in the area to provide local jobs as part of their community benefits package.

b. Commercial and Industrial Attraction, Retention, and Expansion

Blighting Conditions to be Alleviated

The Merged Project Area suffers from a variety of blighting conditions that need to be resolved in order for the area to attain its full economic potential. A significant number of parcels and buildings in the Merged Project Area exhibit the following blighting conditions: obsolete and substandard industrial properties, the presence of hazardous wastes and contaminated sites and lack of neighborhood commercial facilities in the Merged Project Area. The Merged Project Area also suffers from impaired property values and low commercial lease rates. Furthermore, blighting conditions, such as elevated crime rates, hinder the economic vitality of the Merged Project Area.

Projects and Activities

The Agency will continue its proactive commercial and industrial attraction, retention and expansion activities to create a more active and secure urban environment. The goal of this program is to develop incentives that address specific needs of existing businesses and enhance the City's ability to attract new businesses. One component of this program involves working with existing businesses that are seen as assets to the City of Richmond in order to find ways to enhance their opportunities. This program can attract and assist in stabilizing existing small and medium sized businesses and help reduce high business vacancies. Furthermore, projects and activities will assist and promote other programs to develop entrepreneurship, such as the business incubator program.

Commercial and industrial attraction, retention and expansion projects and activities in the Merged Project Area may include the following:

- Assist with marketing of vacant parcels and buildings to attract businesses that meet local economic development objectives, including businesses serving various market segments of the community.
- Implement a program of business retention and recruitment efforts, including supporting the revolving loan fund to be used for business expansion and attraction and a business incubator program. Collaborate with other City programs to establish business incubator assistance.
- Pursue infill opportunities for commercial development and provide financial assistance for improving circulation and accessibility to infill sites.
- Assist in infrastructure and rehabilitation projects to create a favorable environment for commercial and industrial development.
- Develop design guidelines to ensure new retail spaces are viable and provide positive contributions to the community.
- Facilitate the development and expansion of commercial and industrial spaces for neighborhood serving businesses and potential job creation.

c. Commercial Rehabilitation

Blighting Conditions to be Alleviated

Blighting conditions to be corrected in the Merged Project Area by this program category include deteriorated and dilapidated commercial buildings, obsolete and substandard industrial properties, the presence of hazardous wastes and contaminated sites, impaired property values and low commercial lease rates. In addition, blighting conditions such as elevated crime rates, lack of neighborhood commercial facilities, and an excess of bars, liquor stores or other businesses catering to adults that has led to problems of public safety and welfare, hinder the economic vitality of the Merged Project Area.

Projects and Activities

Activities in this program category are aimed to encourage property and business owners in the Merged Project Area to improve the condition and economic viability of their investments. This program finances a portion of the total costs involved in the rehabilitation, façade improvement and code compliance of existing commercial structures. It is designed to encourage existing property and business owners to substantially upgrade deteriorated storefronts, correct code violations and renovate the interiors of stores in order to improve existing business properties and encourage new, infill commercial development. An economic development program to rehabilitate commercial properties will promote private investment and encourage additional residential and commercial development, thereby enhancing the attractiveness and vitality of neighborhoods and commercial centers.

Commercial rehabilitation projects and activities may include, but are not limited to the following:

- Continue implementation of the rehabilitation program for commercial centers, such as along 23rd Street and Macdonald Avenue, including assistance for improvements to façades, signage, lighting, circulation, parking, and other consumer amenities, and expand the program to Cutting Boulevard.
- Encourage revitalization of existing businesses and vacant commercial space through activities such as the provision of technical assistance, grants and low interest loans, in collaboration with other City agencies and community-based organizations.
- Revitalize and/or acquire obsolete commercial and industrial buildings.
- Encourage operators of heavy industrial facilities to paint and/or screen their facilities.
- Encourage new nonresidential development on underutilized or unused sites.

d. Business Development

Blighting Conditions to be Alleviated

The Merged Project Area suffers from blighting conditions that need to be resolved in order for the area to attain its full economic potential. Commercial lease rates are lower in the Merged Project Area as compared with comparable markets, an indicator of distressed buildings. In addition, blighting conditions, such as elevated crime rates and an excess of problem businesses, hinder the economic vitality of the Merged Project Area.

Projects and Activities

The Agency will engage in projects and activities to retain and assist existing small and medium sized businesses and help reduce high business vacancies. This program also promotes entrepreneurship development programs, such as the business incubator program, and the Revolving Loan Fund, which is a community based program providing loans to new and growing small businesses in targeted areas. The Revolving Loan Fund is committed to fostering local economic growth through the creation and retention of employment opportunities. As part of its business development efforts, the Agency will provide support to the Downtown Main Street Program. The Agency plans to expand the Business Development program to better serve small businesses throughout the Merged Project Area.

2. Community Enhancement

The proposed community enhancement activities are divided into three categories, as follows:

- Public Improvements
- Beautification
- Cultural Arts and Recreational Facilities Improvements

a. Public Improvements

Blighting Conditions to be Alleviated

Substandard, deficient and deteriorated public improvements, such as poor street conditions, impaired circulation and accessibility, inadequate public transit, and storm and wastewater system deficiencies, negatively impact investment potential in the Merged Project Area.

As discussed in more detail in Chapter II, the Merged Project Area suffers from impaired circulation and unsafe roadway conditions due to deteriorated roads, presence of rail lines and limited access highways, and irregular street layouts in portions of the area. Alternative modes of transportation and additional transit connections are needed from both an accessibility and environmental sustainability standpoint, as well as to protect the health and safety of the community in the case of a major earthquake.

The Merged Project Area also suffers from deteriorated stormwater and sewer utilities and lacks adequate systems in certain areas, such as at Terminal 4 and Point San Pablo Yacht Harbor.

Projects and Activities

Public improvement projects and activities will involve upgrading the existing aged and deteriorated infrastructure systems and constructing and installing new public improvements, which will support private sector development efforts.

Projects to improve the public infrastructure in the Merged Project Area may include improvements to accessibility and circulation, streets, public transit, stormwater and wastewater systems and utilities. The Agency will assist in funding the construction of new and rehabilitated public facilities within or serving the Merged Project Area. These projects and activities are intended to stimulate the growth of existing and new businesses, thereby improving the physical environment and reducing stagnant economic conditions. Public improvement projects and activities may include, but are not limited to, the following:

- Assist with the construction and/or rehabilitation of public infrastructure and public facility improvements in order to stimulate development, such as the Transit Village.
- Repair, rehabilitate, install and acquire public structures and amenities to help revitalize commercial and industrial areas.
- Facilitate improvements to off-site infrastructure and circulation systems providing access to and within the areas, including enhanced intersection improvements, public parking improvements, and unifying streetscape and landscaping.
- Develop and implement parking optimization strategies.
- Plan, facilitate and participate in public improvements for public buildings and spaces.

- Assist City departments with the implementation of pedestrian and bike safety programs including street and sidewalk improvements, traffic calming projects, and expansion of, or improvement to, the local bike network.
- Provide assistance for improvements to railroad crossing protection, safety upgrades, and vehicular access.
- Provide fencing along railroad tracks, where needed.
- Provide needed safety enhancements to create more defensible spaces.
- Upgrade public utilities and place overhead utility lines underground whenever feasible.

b. Beautification

Blighting Conditions to be Alleviated

The blighting deficiencies to be corrected include dilapidated and deteriorated buildings, low residential and commercial lease rates, a high crime rate, and deficient public infrastructure and facilities throughout the Merged Project Area.

As described in Chapter II, dilapidated and deteriorated buildings exist throughout the Merged Project Area. Poor physical building conditions is one of the reasons for the low residential and commercial lease rates in the Merged Project Area compared to the rest of the City and other parts of Contra Costa County.

The Merged Project Area also suffers from a high crime rate overall compared to the rest of Contra Costa County and the State of California, particularly in the number of homicides. Poor street conditions and deteriorated streetscapes are also found throughout the Merged Project Area.

Projects and Activities

Beautification activities will alleviate blighting conditions through physical improvements, such as landscaping, pedestrian and street lighting and street furniture, public art, interpretive and way-finding signage, among others, along commercial corridors and in residential neighborhoods. These beautification activities will work in conjunction with the Agency's commercial and industrial attraction, retention, and expansion, public improvement and cultural arts and recreational facilities improvement activities. Beautification initiatives will be undertaken to provide visual linkages between various areas of the Merged Project Area and create a unified look for the community.

Beautification projects and activities may include, but are not limited to the following:

- Develop gateway plan and implement streetscape improvement plans with improved lighting, signage, public art and landscaping, such as along 23rd Street, Macdonald Avenue.
- Assist in the rehabilitation and seismic strengthening of those structures that are physically and aesthetically worthy of rehabilitation, with emphasis on owner participation. Provide funds for façade preservation and improvements.
- Expand and enhance code enforcement activities, where needed.
- Implement a graffiti abatement, trash removal, and street and sidewalk cleaning program.
- Implement improvements consistent with the Macdonald Avenue Economic Revitalization Plan.

- Extend sound walls.
- Provide funds for planning and for potential assistance towards construction of improved, landscaped street corridors.
- Provide public art throughout gateways in Richmond with specific emphasis on entrances impacted by I-80 overpasses.
- Install historic markers and wayfinding and interpretive signage along commercial corridors and neighborhoods.

c. Cultural Arts and Recreational Facilities Improvements

Blighting Conditions to be Alleviated

The blighting deficiencies to be corrected include inaccessible open spaces and outdated recreational facilities and a high crime rate throughout the Merged Project Area.

As discussed in Chapter II, the City of Richmond has parks and open spaces that are deficient in accessibility related to public safety, ADA compliance and physical access, and contain outdated recreational facilities, which is reflective of the overall needs in the Merged Project Area.

The elevated crime rate in the Merged Project Area also inhibits the proper use of buildings and lots, impairs investments, and contributes to the economic stagnation of the area. The high rate of violent crime in particular contributes to the creation of a negative image and an intimidating environment for residents, businesses and visitors.

Projects and Activities

Cultural arts and recreational facility improvements will support the completion of the Richmond Greenway, rehabilitation and improvement of community facilities and historic buildings, parks and recreational fields and trails to meet the current needs of residents and to enhance public safety. Cultural arts and recreational facilities improvement projects and activities may include, but are not limited to the following:

- Develop and renovate parks, including recreation facilities and community facilities located in the Merged Project Area.
- Set forth policies in partnership with other public agencies to provide open space in the community and improve programs at existing facilities. Potential improvements include community access to the waterfront and assistance in completing the Bay Trail and Point San Pablo Shoreline.
- Assist with the landscaping and creation of trails on City rights-of-way adjacent to railroad tracks and on former railroad rights-of-way, such as the Richmond Greenway.
- Assist in the rehabilitation and seismic strengthening of those structures that are culturally and historically worthy of rehabilitation, with emphasis on owner participation. Provide funds for façade preservation and improvements.
- Encourage and provide assistance for cultural and public art throughout the Merged Project Area.
- Install historic markers and wayfinding and interpretive signage along commercial corridors and neighborhoods.

E. Description of Agency's Affordable Housing Redevelopment Program

This section describes the blighting conditions to be corrected through the Affordable Housing Program, as well as project and activity descriptions and estimated project costs.

a. Blighting Conditions to be Alleviated and CRL Requirements to Be Attained

Blighting conditions to be corrected by the Agency's housing projects and activities include a substantial number of buildings that are unsafe or unhealthy for persons to live, deteriorated and neglected residential buildings, and rebuild informally constructed structures. Conditions creating unsafe and unhealthy buildings include seismic susceptibility, mold, lead paint contamination, dilapidation, dry rot, broken windows, and unsafe wiring. Furthermore, a significant portion of the buildings in parts of 10-B Nevin, 8-A Hensley, 12-A North Richmond, and 10-A Downtown project areas of the Merged Project Area tend to be older, and field surveys of the area indicate a significant number are severely deteriorated or dilapidated, suggesting that the buildings have not undergone modernization or been maintained to a level that adheres to current health and safety standards.

b. Description of the Affordable Housing Program

The Affordable Housing Program will help alleviate blighting conditions in the Merged Project Area. The Agency may potentially designate non-housing funds to assist affordable housing projects and activities, particularly where substantial rehabilitation is required in order to upgrade existing buildings to decent, safe and sanitary housing. Unlike Housing Set-Aside funds, these additional funds would not be subject to housing expenditure requirements.

In addition to alleviating blighting conditions, the Agency will continue to implement a key provision of the CRL through its Affordable Housing Program: the enhancement of affordable housing opportunities for households earning at or below 120 percent AMI, with particular emphasis on those households earning at or below 50 percent AMI. Section 33334.2 of the CRL requires that an agency utilize 20 percent of all tax increment revenue allocated to the Agency to increase or enhance the community's supply of affordable housing.

The Agency has established, and will continue to establish a range of housing programs that seek to leverage federal, state and private funding sources to develop high quality, attractive and affordable housing developments serving a diverse population. The funds set aside for the Affordable Housing Program will be used in a flexible manner in order to respond to favorable development opportunities.

The Agency will continue to promote the development of a wide variety of affordable housing types in the community in order to enhance the vitality of the area and provide much needed housing for the City. In particular, the Agency will continue to encourage mixed use development, development of new housing, rehabilitation of existing rental and ownership units, infill development, mixed income development and an array of senior housing projects. The Agency will also leverage federal, state and private funding sources to mitigate the impact of home foreclosures within the City.

In developing its Affordable Housing Program, the Agency has been guided by the goals and objectives of the City's Housing Element of the General Plan. The Agency is committed to assisting the City in achieving the goals, objectives and policies presented in the Housing Element, including:⁵

- Create decent, safe, and affordable housing in a wide range of types and densities and make it available to all existing and future Richmond residents, regardless of age, income level, or household size.
- Ensure that fair housing opportunities prevail for all city residents regardless of age, sex, family status, income level, source of income, race, creed, national origin, sexual preference, gender identity or disability.
- Make suitable housing available for residents with special needs, such as elderly or disabled persons.
- Ensure that temporary shelter and transitional housing are available.
- Conserve and maintain the existing housing stock to the maximum extent feasible.
- Preserve and upgrade residential neighborhoods so that they are attractive, safe, retain their distinct identities, and promote a sense of community.
- Promote housing development and public improvements to take advantage of adjoining transportation, community facilities, open space, commercial services, and amenities (i.e. smart growth).
- Ensure that involuntary displacement is minimized and, when necessary, mitigated as housing stock upgrading and neighborhood preservation are pursued.

New Construction—Owner Occupied Units

Due to the high per unit cost of subsidizing owner occupied housing for very low income households, the Agency will primarily seek to provide owner occupied units for low and moderate income households. Sites for new construction projects will be primarily underutilized residential lots. The Agency will continue to assist private for-profit or nonprofit developers with land write-downs and/or development subsidies. The affordability of owner occupied units is ensured through the recordation with the Agency or City of a deed of trust and resale restrictions against the property that provide for resale to qualified low or moderate income households or for recapture of the Housing Fund investment provided to the unit.

Another component of this program is assistance for low and moderate income first time homebuyers to purchase housing units. Subsidy will take the form of second mortgages to borrowers that may be used for down payment and first mortgage reduction. The affordability of owner occupied units is ensured through the recordation of deeds of trust and resale restrictions with the Agency or City against the property that provide for resale to qualified low or moderate income households or recapture of the Housing Fund assistance provided to the unit.

⁵ As found in the City of Richmond 2001-2006 Housing Element.

New Construction—Rental Housing

The emphasis of the Agency's rental housing construction program is to provide affordable housing to very low income, low income, senior, disabled or other special needs households. Private for-profit and nonprofit developers will be assisted with land write-downs, predevelopment loans, development subsidies or land leases. Affordability is enforced through deed restrictions and language incorporated into loan and lease documents. Most rental developments are expected to incorporate other funding sources such as the federal low income housing tax credits or the HUD 202 program.

As part of the Affordable Housing Program, the type of financial assistance to be provided may include cost write-down and gap financing for projects utilizing federal and state funds, as well as loans for property acquisition, building renovation, predevelopment costs and development fees. In carrying out its purpose to preserve, improve and increase the affordable housing supply, the Agency may use the following methods:

- Acquire land or building sites.
- Improve land or building sites with on-site or off-site improvements to the extent permitted by the CRL. Provide assistance for the remediation of contaminated sites, where necessary.
- Donate land to private or public persons or entities.
- Finance insurance premiums pursuant to CRL Section 33136.
- Construct buildings or structures.
- Provide subsidies to, or for the benefit of, persons or families of very low, low, or moderate income.
- Pay principal and interest on bonds, loans, advances or other indebtedness, or pay financing or carrying charges.
- Require the integration of affordable housing sites with sites developed for market rate housing.
- Assist the development of housing by developers.
- Provide planning and financial assistance towards a range of supportive housing options for the community's low-income aging population. Assist city departments with programs to support senior rental housing.
- Provide technical and funding assistance to nonprofit organizations that commit to preserving the long-term affordability (a minimum of 55 years) of any at-risk affordable rental development they may be purchased from a for profit owner.
- Undertake rehabilitation programs for older units posing a health hazard.
- Provide planning and financial assistance towards supportive and/or transitional housing programs for other special needs populations in the community.
- Assist landowners with planning affordable infill development where appropriate.
- Provide opportunities for housing rehabilitation for very low, low and moderate income homeowners to maintain and repair their homes.

F. Summary of Redevelopment Program Costs

The total estimated cost of the Redevelopment Program is approximately \$842.1 million in constant 2010 dollars. Table III-2 summarizes the Redevelopment Program costs by category. The estimated cost of the Non-Housing Redevelopment Program is approximately \$502.3 million, which includes the costs for the seven Non-Housing Redevelopment Program categories described in Section D. The estimated cost of the Affordable Housing Redevelopment Program is approximately \$339.8 million. The Agency's administrative cost of implementing the Non-Housing Redevelopment Program is estimated to be approximately \$100.5 million.

The costs in Table III-2 reflect the net cost of all Redevelopment Program projects and activities to the Agency after taking into account other funding sources. Chapter IV discusses these outside funding sources.

Due to the long-term nature of the Redevelopment Program, cost estimates are necessarily preliminary in nature and subject to considerable refinement as planning and implementation proceeds. However, the cost estimates are adequate to provide reasonable orders of magnitude for the financial feasibility evaluation and the estimated need for additional tax increment revenue made possible by the Plan Amendment to increase the tax increment collection fiscal limit and incurring debt limit, as described in Chapter I.

**Table III-2
Summary of Agency Costs for the Redevelopment Program**

Redevelopment Programs	Estimated Total Project Cost (FY 2009/10\$, in millions)	
Economic Development		
Planning, Property Acquisition, Site Preparation, and Toxic Remediation	\$ 51.0	5.4%
Commercial/ Industrial Attraction, Retention and Expansion	\$ 76.8	8.1%
Commercial Rehabilitation	\$ 5.0	0.5%
Business Development	\$ 0.5	0.1%
Community Enhancement		
Public Improvements	\$ 148.0	15.7%
Beautification	\$ 174.0	18.5%
Cultural Arts and Recreational Facilities Improvement	\$ 47.0	5.0%
Total Cost of Non Housing Redevelopment Program	\$ 502.3	53.3%
Total Cost of Affordable Housing Program	\$ 339.8	36.1%
Total Agency Administration	\$ 100.5	10.7%
Total	\$ 942.5	100.0%

Source: Richmond Community Redevelopment Agency, Seifel Consulting Inc.

IV. Proposed Methods of Financing and Feasibility

Chapter IV describes the public and private financing aspects of the Redevelopment Program. It presents estimated funding requirements, identifies potential resources and methods of financing available to the Agency, presents estimated tax increment revenues, assesses the general financial feasibility of the Plan Amendment and describes the necessity for the Plan Amendment as part of the overall financing program to eliminate blighting conditions.

Blighting conditions in the Merged Project Area continue to be substantial and prevalent and require tax increment in order to be alleviated. To fully address remaining blight in the Merged Project Area, the existing limits on tax increment revenue and outstanding bonded indebtedness need to be increased. While the Agency will continue to pursue all other potential funding sources, those sources alone will not be sufficient to fund the activities needed to alleviate the blighting conditions in the Merged Project Area without additional future tax increment revenues allowed by the Plan Amendment.

A. Introduction

The fundamental purpose of the proposed Plan Amendment is to provide the Agency with the necessary financial and legal resources to complete the Redevelopment Program, which has been designed to alleviate the remaining identified blight, promote economic development, support community enhancements, and provide quality affordable housing for residents of the Merged Project Area and the entire Richmond community. Chapter II documents the remaining adverse physical and economic conditions hindering the development and revitalization of the Merged Project Area. Chapter III describes how the Redevelopment Program will alleviate blighting conditions and summarizes the costs associated with the Redevelopment Program. Chapter IV describes public and private financing methods and assesses the financial feasibility of the Redevelopment Program by comparing the Agency's projected revenues under the Plan Amendment with the Agency costs of the Redevelopment Program. Chapter IV also explains why tax increment financing will continue to be the primary source of funding and why the Plan Amendment is necessary to accomplish and complete the goals set forth in the Merged Redevelopment Plan and alleviate remaining blight in the Merged Project Area.

1. Chapter Organization

This chapter is organized into the following sections:

- A. Introduction
- B. Stimulation of Private Investment
- C. Creating Public Benefits
- D. Estimated Funding Requirements
- E. Potential Funding Sources
- F. Tax Increment Financing as the Primary Source of Funding
- G. Assumptions Used in Tax Increment Projections
- H. Tax Increment Projections

- I. Amended Outstanding Bonded Indebtedness and Tax Increment Limits
- J. Financial Feasibility of the Redevelopment Program

B. Stimulation of Private Investment

A major goal of the Plan Amendment is to accelerate private investment in the Merged Project Area. Public investment in the form of redevelopment funding will continue to be used to leverage private investment.

Private investment is anticipated to continue to include new commercial, industrial and residential development on vacant or underutilized parcels and the rehabilitation of commercial, industrial and residential buildings in many parts of the Merged Project Area. Over time, such investment has been and could continue to be significant. However, further private investment in these areas will continue to depend upon the improvement of public facilities and infrastructure, the elimination of blighting conditions, and the establishment of a positive climate for private participation. Given the extent of remaining blighting conditions and the continued need for improved public facilities and infrastructure, effective implementation of the Redevelopment Program through the continued use of tax increment financing provides the most reasonable opportunity for stimulating private investment in the area.

C. Creating Public Benefits

The Redevelopment Program will also deliver several public benefits to the Merged Project Area. It will expand and improve parks and open space in the area, making these facilities easily accessible to residents. The program will foster economic development in the Merged Project Area, particularly focusing on the creation of jobs for Richmond residents. The Redevelopment Program itself will foster job creation through public and private investment in the clean up of contaminated sites, infrastructure upgrades, and new construction. Additionally, increased economic activity will likely be a catalyst for permanent new jobs in the area. Lastly, it will increase the supply of affordable housing in Richmond.

D. Estimated Funding Requirements

The continued implementation of the Redevelopment Program will require substantial funding. Chapter III describes this program and summarizes the costs needed for its completion. The estimated net cost of the Redevelopment Program to the Agency as described in Chapter III and shown in Table IV-1 totals approximately \$942.5 million (in constant 2010 dollars).¹ The cost of the Redevelopment Program is adjusted to account for funding from non-Agency sources that will supplement Agency funds (as described in Section E of this chapter and Appendix E).

¹ The terms “constant 2010 dollars” or “nominal dollars” are used to indicate the present value of future dollars discounted back to FY 2009/2010. For more information, refer to discussion on present value assumption in Section G of this chapter.

**Table IV-1
Estimated Net Cost to Agency of Redevelopment Program**

Redevelopment Programs	Estimated Total Project Cost (FY 2009/10\$, in millions)	
Economic Development		
Planning, Property Acquisition, Site Preparation, and Toxic Remediation	\$ 51.0	5.4%
Commercial/ Industrial Attraction, Retention and Expansion	\$ 76.8	8.1%
Commercial Rehabilitation	\$ 5.0	0.5%
Business Development	\$ 0.5	0.1%
Community Enhancement		
Public Improvements	\$ 148.0	15.7%
Beautification	\$ 174.0	18.5%
Cultural Arts and Recreational Facilities Improvement	\$ 47.0	5.0%
Total Cost of Non Housing Redevelopment Program	\$ 502.3	53.3%
Total Cost of Affordable Housing Program	\$ 339.8	36.1%
Total Agency Administration	\$ 100.5	10.7%
Total	\$ 942.5	100.0%

Source: Richmond Community Redevelopment Agency, Seifel Consulting Inc.

E. Potential Funding Sources

The Merged Redevelopment Plan authorizes the Agency to finance the Redevelopment Program using all available funding sources, including local, state, regional and federal sources. The Agency has in the past and will continue to make every effort to obtain alternative funding sources as a means to accelerate the implementation of the Redevelopment Program and minimize the required investment of tax increment revenues. The Agency will also work with the City and Contra Costa County and use their combined resources to secure federal, state and private funding. As appropriate, the Agency will also pursue available loan programs to maximize the leveraging of its funds. However, tax increment financing will continue to be the most reliable source of long term funding available to the Agency. It is the only source that will generate substantial revenue to meet the projected funding needs of the Redevelopment Program.

This section describes a wide range of alternative funding sources that may be available to assist in financing the Redevelopment Program. It summarizes each potential source and evaluates the likelihood of the source's ability to generate potential revenues for use in the Merged Project Area. Some sources described below may generate more funds than estimated, while others may generate less. On balance, the estimate of alternative revenues provides an initial assessment of funding availability to determine the need for tax increment revenue to eliminate remaining blight.

Appendix E includes a list of funding sources that might be available to assist in financing the Redevelopment Program. It includes each potential source, the responsible entity, a summary of the source and the type of funding (grant, loan, or other). Within Appendix E, Table E-1 groups funding sources by primary, secondary and complementary sources of funding as further

described below. Funding sources considered to be unavailable or unlikely are also listed in Appendix E, Table E-1.

1. Primary Funding Source

The primary funding source available to support the Redevelopment Program will continue to be tax increment (TI) revenue generated by the increase in property values within the Merged Project Area. Other funding sources, such as those detailed below, will support redevelopment efforts, but the tax increment made available by the Plan Amendment will be necessary to finance the Redevelopment Program.

2. Secondary Funding Sources

While less significant or less likely to be available than primary funding sources, secondary sources, such as federal, state and other local funds have helped, and are anticipated to help the Agency in meeting its redevelopment goals and objectives. This section describes the secondary funding sources the Agency has used and/or anticipates using to help support the Redevelopment Program.

Secondary funding sources have provided some funding in the past and are anticipated to provide additional funding in the future. However, the level of funding provided by these funding sources has not been, and will not be, sufficient to fully fund the cost of redevelopment activities. Also, many grant programs offer one-time funding allocations, and are not a reliable source of funding for future years. Furthermore, in an effort to close the State's over \$20 billion budget deficit, some programs offered by the State have been scaled back or temporarily terminated. For these reasons, secondary funding sources are not sufficient and may not be available to alleviate the blight identified in Chapter 2. Tax increment is therefore necessary to complete the redevelopment program presented in Chapter 3. Please see Appendix E for complete descriptions of all secondary funding sources that the Agency plans to use to implement the Redevelopment Program.

a. Federal Funding Programs

Community Development Block Grants (CDBG)

Community Development Block Grants (CDBG) are allocated by the United States Department of Housing and Urban Development (HUD) to fund activities such as public works; rehabilitation loans and grants; land acquisition, demolition, and relocation for redevelopment; public services; and affordable housing, social services and projects for the elderly or disabled. CDBG-funded projects and activities must principally benefit low and moderate-income persons, aid in the prevention or elimination of blight, or address an urgent need. CDBG funds have provided a limited source of revenue for many redevelopment activities in California. Larger cities, such as Richmond, are considered entitlement communities that are able to receive direct annual grants for community development efforts. Section 108 is the loan guarantee provision of the CDBG program sponsored by HUD. The objective of the loan funding is to provide communities with a source of financing for economic development, housing rehabilitation, public facilities, and large scale physical development projects. All projects and activities must either principally benefit low and moderate income persons, aid in the elimination or prevention of slums and blight, or meet urgent needs of the community. The maximum repayment period for Section 108 loan is 20 years.

The City of Richmond serves as the Section 108 entity. The City of Richmond received approximately \$1.3 million in FY 2008/09 of which a percentage will likely fund activities in the Merged Project Area.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP), administered by HUD, provides grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of home values of neighboring properties. NSP funds may be used for activities which include, but are not limited to: establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties; purchase and rehabilitate homes and residential properties abandoned or foreclosed; establish land banks for foreclosed homes; demolish blighted structures; and redevelop demolished or vacant properties. The City of Richmond received approximately \$3.3 million from the NSP. A percentage of these fund will likely fund activities in the Merged Project Area.

Home Investment Partnership Program (HOME)

The Home Investment Partnership Program (HOME), administered by HUD, provides formula grants to states and localities that communities often use in conjunction with local nonprofit organizations to fund affordable housing activities. HOME funds are awarded annually to participating jurisdictions. States are automatically eligible and receive their funding each year. Local jurisdictions eligible for at least \$500,000 under the formula (\$335,000 in years when Congress appropriates less than \$1.5 billion for HOME) may receive an allocation. HOME assisted rental housing must comply with certain rent limitations. In addition, HOME regulations include a maximum per unit subsidy limit and maximum purchase price limit. Eligible activities include home purchase or rehabilitation financing assistance; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated units and payment of relocation expenses. Ten percent of the annual allocation may be used for program planning and administration. The City of Richmond received approximately \$800,000 in FY 2008/09 of which a percentage will likely fund activities in the Merged Project Area.

Brownfield Economic Development Initiative (BEDI)

The Brownfield Economic Development Initiative (BEDI) is a federal program administered by HUD. BEDI grants are designed to help local governments redevelop brownfields. Brownfields are defined as abandoned, idled, or underutilized properties, including industrial and commercial facilities where expansion or redevelopment is complicated by the possible presence of environmental contamination. BEDI grants must be linked with a new Section 108-guaranteed loan commitment secured by the City's CDBG funds. Both Section 108 loan guarantee proceeds and BEDI grant funds are initially made available by HUD to local government agencies eligible for assistance under the CDBG program. A local government may re-loan the Section 108 loan proceeds and provide BEDI funds to a business or other public entity eligible to carry out a specific approved brownfields economic development project, or the public entity may carry out the eligible project itself. In either case, BEDI grant funds and the Section 108 proceeds must be used to support the same eligible BEDI project. Richmond received approximately \$1.3 million to help redevelop the Terminal 1 site and \$2.0 million to help with land remediation for the Miraflores project.

Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)

The goal of the SAFETEA-LU is to address the significant transportation challenges in the areas of safety, security, congestion, intermodal connectivity and timely project delivery. SAFETEA-LU provided \$14.73 billion for highway programs and \$3.04 billion for transit. A considerable number of safety, finance, highway, environmental, public transportation, planning and research programs are funded under SAFETEA-LU including the Congestion Mitigation and Air Quality Improvement Program (CMAQ), Highway Safety Improvement Program, Transportation Infrastructure Finance and Innovation Act Program, Surface Transportation Program (STP), and Transportation and Community and System Preservation Program (TSCP). The SAFETEA-LU program is set to expire on September 30, 2009. If reauthorized the program (to be called MAP21) would provide additional funding for highway and safety programs and for public transportation programs for future years. Under SAFETEA-LU, Richmond secured \$8.4 million for the BART parking structure and Transit Village.

b. State Funding Programs

CalHOME Program

The CalHOME Program, administered by the California Department of Housing and Community Development (HCD), provides grants to local public agencies or nonprofit corporations for first-time homebuyer downpayment assistance, home rehabilitation, including manufactured homes not on permanent foundations, acquisition and rehabilitation, homebuyer counseling, self-help mortgage assistance programs, or technical assistance for self-help homeownership. All funds to individual homeowners are in the form of loans. Eligible activities include predevelopment, site development, and site acquisition for development projects; rehabilitation, and acquisition and rehabilitation, of site-built housing; and rehabilitation, repair and replacement of manufactured homes. Downpayment assistance, mortgage financing, homebuyer counseling, and technical assistance are offered for self-help developments, or projects built using “sweat-equity.” The City of Richmond has obtained loans from this program in the past.

Building Equity and Growth in Neighborhoods Program (BEGIN)

The Building Equity and Growth in Neighborhoods Program (BEGIN), administered by HCD, provides grants to cities, counties, or cities and counties to make deferred-payment second mortgage loans to qualified buyers of new homes, including manufactured homes on permanent foundations, in projects with affordability enhanced by local regulatory incentives or barrier reductions. BEGIN also includes second mortgage loans for downpayment assistance to low or moderate income first-time homebuyers. Eligible homes must be newly constructed in projects facilitated by local regulatory incentives or barrier reductions, and may include manufactured homes.

Infill Infrastructure Grant Program (IIG)

The Infill Infrastructure Grant Program (IIG), administered by HCD, provides competitive grants to assist in the construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Eligible applicants include non-profit and for-profit developers, as well as public agencies partnering with a private developer. Approved in 2006 as part of Proposition 1C, the City has not yet utilized this funding source for projects in Richmond.

Downtown Rebound Capital Improvement Program

The Downtown Rebound Capital Improvement Program, administered by HCD, provides competitive loans to eligible projects that promote the adaptive reuse of vacant or underused commercial and industrial space into residential infill and development of high-density housing near mass transit stations. Funding may be used for planning for infill housing, adaptive reuse, and other forms of downtown housing development, including seismic and structural feasibility studies related to adaptive reuse. Eligible applicants include private and public entities, such as redevelopment agencies. The City has not yet utilized this funding source for projects in Richmond.

Proposition 40, California Clean Water, Clean Air, Safe Neighborhood Park, and Coastal Protection Act of 2002

Proposition 40, the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (2002 Resources Bond) provides funding for several types of projects, two of which are historic preservation and open space. Historic preservation programs are administered by the California Cultural and Historical Endowment in the California State Library Office, and open space programs are administered by California Department of Parks and Recreation. Funding is dedicated to preserving historic and cultural resources. Proposition 40 also provides funds for local assistance grants for open space.

Transit-Oriented Development (TOD)

The Transit-Oriented Development Program (TOD), administered by HCD, offers competitive low-interest loans for construction of rental housing developments that include affordable housing and are within one-quarter mile of a transit station. Additionally, the program provides grants for infrastructure that supports housing or facilitates connectivity to transit from one or more specific housing developments. Eligible applicants include public and private entities, such as redevelopment agencies. Approved in 2006 as part of Proposition 1C, the City has not yet utilized this funding source for projects in Richmond.

Fuel Tax

The State imposes a tax on gasoline, aircraft jet fuel and diesel fuel sales. An interstate user tax and use fuel tax is also collected by the State. These revenues may be used for street maintenance, construction activities and circulation improvements throughout Richmond. Approximately one-third of the gasoline, diesel fuel and use fuel tax revenues are distributed to local jurisdictions on a formula based on population and other factors. The City's revenue estimates for FY 2007/08 included approximately \$1.9 million in gas tax revenues, which are distributed to the Department of Public Works.

State Transportation Improvement Program (STIP)

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program for transportation projects on and off the State highway system. STIP programming generally occurs every two years. The program lists all capital improvement projects approved by the California Transportation Commission (CTC) to be funded with State transportation funds, including proceeds from bond acts (such as Proposition 116) and motor vehicle fuel taxes. The STIP also includes federal funds apportioned to the State for transportation purposes. The City would have to apply for STIP funds through the MTC, who then forwards a list of the region's highest priority transportation projects to the CTC for approval. The City is utilizing approximately \$10.1 million in funding through this program to help develop the BART parking structure and Transit Village.

Section 130 Program

The Section 130 Program provides federal funds for the elimination of hazards at existing at-grade railroad crossings. The purpose of the program is to reduce the number, severity and potential hazards to motorists, bicyclists, and pedestrians at crossings. The California Public Utilities Commission (CPUC) recommends the types of improvements that are needed to eliminate vehicular and pedestrian hazards. Projects must be on a public road, sponsored by a city, county, or railroad company and the railroad/highway crossing must be included on the CPUC's "Recommended List of Public Crossings in California for Improved Crossing Protection with Federal Funding." Projects include but are not limited to installation and upgrade of railroad protection systems and grade crossing eliminations.

Trade Corridor Improvement Fund (TCIF)

The Trade Corridor Improvement Fund (TCIF) is a program administered by the California Department of Transportation (DOT) to fund infrastructure improvements along federally designated "Trade Corridors of National Significance" or along other trade routes with a high volume of freight movement. Funding for the program comes from the voter approved Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Richmond has received approximately \$19.0 million in funding through the TCIF program to fund a grade separation project located within the Merged Project Area.

Infrastructure State Revolving Fund (ISRF)

The Infrastructure State Revolving Fund (ISRF) is low cost financing from the California Infrastructure and Economic Development Bank (IBANK) to public agencies for a wide variety of infrastructure projects with loan terms of up to 30 years to be repaid with local tax revenues. The interest rate is fixed for the term of financing and is set at 67 percent of tax-exempt "A" rated bonds with a weighted average life similar to IBANK financing. Eligible applicants include cities, counties, special districts, assessment districts, joint powers authorities and redevelopment agencies. Eligible projects include city streets, county highways, state highways, drainage, water supply and flood control, educational facilities, environmental mitigation measures, parks and recreational features, port facilities, public transit, sewage collection and treatment, solid waste collection and disposal, water treatment distribution, defense conversion, public safety facilities, and power and communication facilities. However, these funds would need to be repaid out of tax increment revenues and are not a direct source of funding.

c. Local and Regional Funding Sources

Measure 2 Transit Funding

Regional Measure 2 (RM2) is projected to raise \$125 million each year to ease congestion in the Transbay bridge corridors and enhance the convenience and reliability of the Bay Area's public transit system. Administered by the MTC, the revenue is generated by a \$1 toll increase, effective July 1, 2004, on the region's seven state-owned toll bridges, not including the Golden Gate Bridge. Although a significant portion of this money is aimed at large regional projects such as the first leg of the planned BART extension to Silicon Valley, redevelopment of San Francisco's Transbay Terminal, and the seismic retrofit of the Transbay BART tube, approximately 38 percent of total annual RM2 funds are dedicated to provide critically needed operating funds for rail, express and local bus and ferry service. This potential funding source could be used for promoting public transportation and enhancing access to employment for the residents of Richmond.

Transportation Development Act (TDA)

Transportation Development Act (TDA) funds are generated statewide through a one-quarter cent tax on retail sales in each county. The City receives an annual TDA apportionment, and the MTC determines the ways in which the funds are spent. TDA funds may be used for regional and municipal transit projects, special transit projects for disabled persons, bicycle and pedestrian purposes, and other improvements or programs designed to reduce automobile usage.

Transportation Fund for Clean Air (TFCA)

The Bay Area Air Quality Management District (BAAQMD) manages the Transportation Fund for Clean Air (TFCA) Regional Fund. The TFCA program awards grants for transportation projects that reduce motor vehicle emissions. Eligible projects include the purchase of low emission, alternative fuel vehicles with a gross vehicle weight of 10,000 pounds or more, including school buses and transit buses; shuttle and feeder bus service to train stations; ridesharing programs; bicycle facility improvements; arterial management projects that improve the flow of traffic on major roadways; transit information projects; and smart growth and traffic calming projects. TFCA grants could assist with circulation issues and incompatible uses, but are typically small grants. The City has received approximately \$600,000 through the TFCA program to fund pedestrian improvements along Nevin Avenue.

San Francisco Bay Area Conservancy Program (Bay Program)

Administered by the Coastal Conservancy, the San Francisco Bay Area Conservancy Program (Bay Program) provides grants to help achieve the following Bay Program goals: (1) protect, restore and enhance natural habitats and other regional open space resources throughout the nine Bay Area counties; (2) improve public access to the Bay, its surrounding hills and the coast through completion of bay, coast and ridge trails that are a part of the regional trail system; and (3) promote projects that provide open space accessible to urban populations for recreation and education purposes. This program is funded through two voter approved bond funds: Proposition 40 and Proposition 50, and the Coastal Conservancy is expected to spend \$40 million from Proposition 40 and \$20 million from Proposition 50 in the San Francisco Bay region. The Bay Program may fund property acquisition and project planning, design, and construction. Research, assessments and environmental education activities will only be considered when tied

to on-the-ground projects. Proposition 40 funds may be used for projects implementing Bay Program goals mentioned above.

Transportation for Livable Communities (TLC)

The MTC's Transportation for Livable Communities (TLC) Program supports community-based transportation projects that help to revitalize downtown areas, commercial cores, neighborhoods and transit corridors. The TLC Program offers three kinds of financial assistance: Planning grants, capital grants and the Housing Incentive Program (HIP) grants. Planning projects must be intended to assist in solving economic development problems, respond to economic development opportunities, and expand organizational capacity for economic development. HIP, administered by the MTC, provides grants to local governments that help build housing near transit stops. Key objectives of the program include: increasing the supply of housing in areas with existing infrastructure and services; locating new housing in areas with viable non-automotive transportation options; and establishing the residential density and ridership markets necessary to support high-quality transit service. Funds can be used for citywide improvements to sidewalks and crosswalks linking housing to nearby community facilities or streetscape improvements that support increased pedestrian, bicycle and transit activities and safety. The HIP requires a 11.5 percent minimum match. The City received \$750,000 in TLC capital funding for the Richmond Transit Village's new pedestrian plaza, including a reconstructed walkway and new stairwell.

San Francisco Bay Trail Program

Directed by the Association of Bay Area Governments (ABAG), the San Francisco Bay Trail is a partially completed recreational corridor that will encircle the San Francisco and San Pablo Bays. It is a continuous 400 mile network of bicycle and hiking trails that provides access to recreational opportunities and wildlife viewing. The San Francisco Bay Trail Project was created as a nonprofit organization in 1990 dedicated to the planning, promotion, and implementation of the Bay Trail. Among its activities, the Bay Trail Project provides grants for trail construction and maintenance. One of the key priorities for the Bay Trail Project is providing technical assistance and planning for key Bay Trail segments.

Measure J

Measure J is a transportation funding initiative passed in Contra Costa County in 1988 (as Measure C) and renewed in 2004. The program is paid for by a half-percent sales tax. Projects funded with Measure J funds, which are administered by the Contra Costa County Transportation Authority, include local transportation sales tax funds transportation improvements. Projects in Richmond include dockside improvements in support of the proposed ferry terminal. Measure C funded \$5.177 million for the BART parking structure and Transit Village.

Development Impact Fees

Development impact fees are fees placed on new private development to mitigate specific consequences related to population growth. Impact fees are used throughout Richmond to mitigate the impact of new development on parks and open space, infrastructure facilities and improvements, and civic and public safety facilities, such as community/aquatic centers, libraries, and police and fire facilities. Under applicable state laws regarding the imposition of development impact fees, such fees can be imposed on a new private development only to the extent that a direct nexus or relationship exists between the need for public facilities caused by such new

development and the level of fees imposed. Development impact fees can cover only the portion of the cost of needed public improvements attributable to new development.

Land Sales

The Agency may acquire property in implementing the Redevelopment Program. The sale of such property will create a resource that can be used to fund redevelopment activities. In most instances, land sale proceeds only offset a portion of the costs for a specific development project, and do not create a resource that is available for a general revitalization effort. It is not known at this time how much land sale proceeds will equal.

3. Complementary Funding Sources

While not providing direct funding to the Redevelopment Program, complementary sources will continue to provide funding for economic development, business support and expansion, neighborhood improvements, and community enhancement.

Complementary funding sources used to support the Redevelopment Program may include, but are not limited to, the following federal, state, regional and local programs. Federal programs include the Small Business Administration (SBA), Economic Development Assistance Program (EDAP), Brownfields Cleanup Revolving Loan Fund (BCRLF), Transportation and Community System Preservation Program (TCSP), Access to Artistic Excellence, Historic Rehabilitation Tax Credits, Land and Water Conservation Fund, Preservation Services Fund (PSF), National Preservation Loan Fund (NPLF), Inner City Ventures Fund (ICVF), and Enterprise Zone Tax Benefits. State programs include the Housing Enabled by Local Partnership Program (HELP), Community Stabilization Home Loan Program (CSHLP), Per Capita Grant Program, Petroleum Brownfield Grant Program; Orphan Site Cleanup Account (OSCA), and Low Income Housing Tax Credits (LIHTC). Regional and local programs include the Bay Area Family of Funds, the Local Initiative Support Corporation (LISC), Rule 20A Program, Small Business Revolving Loan Fund, assessment districts, and business improvement districts.

Please see Appendix E for complete descriptions of all complementary funding sources that the Agency plans to use to implement the Redevelopment Program.

4. Funding Sources Considered to be Unavailable or Unlikely

As permitted by law, the Agency can utilize local, state, and federal government funds, and also funds from private sector sources. A significant number of other sources were evaluated by the Agency for their potential use to fund redevelopment activities in the Merged Project Area. Based on the Agency's past experience, none of these sources provided substantial additional financial resources that the Agency could utilize to alleviate blight, and many are loans that would have to be repaid from tax increment. In addition, other sources have been found to be clearly infeasible or to have little potential of generating measurable revenues. Appendix E includes a list and description of each of these funding sources.

As discussed previously, some secondary funding sources that the Agency may have received in prior years may now also be unavailable to help support the Agency's Redevelopment Program. For example, the City's receipt of governmental and private grants has decreased from

\$45 million in FY 2005/06 to \$31 million in FY 2007/08.² Recent trends in the City's budget also indicate that the City is reducing expenditures in anticipation of decreased revenues. Since FY 2006/07, the City's overall budget expenditures has decreased from \$313 million to \$277 million in FY 2007/08 and \$268 million in FY 2008/09.³ These trends suggest that non-tax increment revenue sources are increasingly difficult to secure and tax increment revenues would be a necessary funding mechanism for the Agency's Redevelopment Program.

F. Tax Increment Financing as the Primary Source of Funding

The primary source of funding for the Redevelopment Program will continue to be tax increment revenue generated by the increase in property values within the Merged Project Area. Based on the assumptions outlined in this chapter, the tax increment revenues generated under the Plan Amendment are projected to be sufficient to meet the Redevelopment Program costs for both non-housing and housing activities that cannot reasonably be financed from other sources.

The Agency is also authorized to obtain advances, borrow funds and create indebtedness in various forms, including the issuance of bonds. Bonds can be repaid from tax increment revenues or other funds available to the Agency.

The Agency prepares an annual budget each year to set forth projected revenues and expenditures. It evaluates the projected amount of funds available from tax increment and other revenue sources and sets its annual budget and long-term budget projection taking into account the level of funding resources. The Agency will not commit more funds on an annual basis than is anticipated to be available to fund the Redevelopment Program.

This section presents an overview of the use and calculation of tax increment revenue under the CRL. Section G then describes specific considerations and assumptions relevant to the estimates of tax increment revenue that may be generated, and Section H summarizes the tax increment projections. Appendix F includes detailed projections of potential tax increment revenues.

1. Using Tax Increment Revenue to Eliminate Adverse Conditions

The primary purpose of redevelopment is the elimination of adverse physical and economic blighting conditions. The Redevelopment Program is specifically designed to stimulate private investment and alleviate adverse physical and economic conditions in the Merged Project Area. The completion of the Redevelopment Program will result in a Merged Project Area that is physically enhanced and economically stronger due to the elimination of blighting conditions. The continued use of tax increment revenue is the most appropriate means of providing sufficient funding for implementing the Redevelopment Program.

As described in Chapter II, remaining blight in the Merged Project Area is substantial and prevalent. Adverse physical and economic conditions, which continue to be a significant burden on the community, cannot be eliminated under the existing tax increment cap and bond

² City of Richmond adopted Fiscal Year 2008-09 Budget, Budget Summaries.

³ City of Richmond Adopted Fiscal Year 2007-08 and Fiscal Year 2008-09 Budget, Budget Summaries.

indebtedness limit for the Merged Project Area. Therefore, the Plan Amendment is needed to allow the Agency to complete the Redevelopment Program described in Chapter III.

2. Stabilizing and Enhancing the Property Tax Base

In many communities, redevelopment projects have led to the stabilization of property tax rolls and tax receipts for taxing entities within project areas. As a result, these communities have avoided declines in tax revenues due to the erosion of property values. In most redevelopment project areas, the investment of public redevelopment funds to leverage private investment has resulted in substantial increases in property values over time due to new construction, rehabilitation and property appreciation.

3. Existing and Proposed Time and Fiscal Limits

The CRL imposes specific time and fiscal limits that will affect the amount of tax increment revenue the Agency can receive. Table IV-2 summarizes the existing constraints for each of the Constituent Project Areas comprising the Merged Project Area. Table IV-2 also indicates the proposed changes to the time and fiscal limits under the Plan Amendment. As discussed in Chapter I, the Agency proposes to increase the caps on receipt of tax increment revenue and the amount of outstanding bonded indebtedness.

As of the beginning of FY 2008/09, the portions of Merged Project Area subject to a cap on tax increment (Cap Area) generated approximately \$195 million in tax increment.⁴ The Cap Area of the Merged Project Area is projected to reach the existing tax increment cap of \$521.4 million between FY 2019/20 and FY 2020/21.

⁴ The Cap Area includes portions of the Merged Project Area adopted before 1994. These include all the original areas of 1-A Eastshore, 1-C Potrero, 3-A Galvin, 6-A Harbor Gate, 8-A Hensley, 10-A Downtown, 10-B Nevin, 11-A Harbour and 12-A North Richmond, as well as the area added to 8-A Hensley in 1980.

**Table IV-2
Existing and Proposed Time and Fiscal Limits for
Tax Increment Collection and Debt Incurrence**

Merged Project Area	Time Limit for Tax Increment Receipt ^a	Last Date to Incur Debt ^b	Tax Increment Cap		Incurring Debt Limit	
			Existing	Proposed	Existing	Proposed
1-A Eastshore	1/1/2022	No Limit	Combined TI Cap of \$521.4M	Combined TI Cap of \$1.15B	Combined Limit of \$250M	Combined Limit of \$1.71B
1-C Potrero	1/1/2022	No Limit				
3-A Galvin	1/1/2022	No Limit				
6-A Harbor Gate ^c	1/1/2022	No Limit				
8-A Hensley	1/1/2022	No Limit				
8-A 1980 Area	3/31/2033	No Limit				
10-A Downtown	1/1/2022	No Limit				
10-B Nevin	9/18/2025	No Limit				
11-A Harbour	6/9/2028	No Limit				
12-A North Richmond	9/18/2025	No Limit				
1-A Eastshore 1999 Area	7/13/2045	7/13/2019	No Cap	No Change		
6-A Harbor Gate 1995 Area	7/26/2041	7/26/2015				
6-A Harbor Gate 1999 Area	7/13/2045	7/13/2019				
8-A Hensley 1999 Area	7/13/2045	7/13/2019				
10-A Downtown 1999 Area	7/13/2045	7/13/2019				
10-B Nevin 1999 Area	7/13/2045	7/13/2019				
11-A Harbour 1999 Area	7/13/2045	7/13/2019				
10-B Nevin 2005 Area	7/12/2050	7/12/2025			\$150M	

- a. At the time of this Report's publication, the constitutionality of the recent SERAF legislation has not yet been determined. Accordingly, the time limits shown here reflect the existing time limits and do not include the one year time extension per recent SERAF legislation.
- b. SB 211 amended the CRL to allow the deadlines for incurring debt in project areas adopted prior to 1994 to be repealed. In 2003, the City repealed the deadlines for incurring debt for thenine originally adopted Project Areas and the 1980 8-A Hensley Added Area.
- c. Project Area was adopted in 1954, however FY 1967/68 is the earliest year for which reliable assessed value data is available.

Source: Richmond Community Redevelopment Agency, Goldfarb & Lipman, Fraser & Associates, Seifel Consulting Inc.

4. Distribution of Property Taxes During Project Implementation

With the Plan Amendment, all of the entities that levy taxes in the Merged Project Area will continue to receive all property tax revenues derived from the relevant base assessed value. In addition, the taxing entities will continue to receive a portion of the property tax revenues generated from the increase in assessed value over the relevant base year assessed value, known as statutory pass-through payments.

The CRL sets forth standard formulas for the calculation of statutory pass-through payments for plans adopted or amended after 1993. Each entity receives a payment in proportion to its property tax levy in each project area at the time of plan adoption or amendment. The pass-through payments constitute the State Legislature's determination of the payments necessary to alleviate any financial burden of a redevelopment program to affected taxing entities. The calculation of statutory pass-through payments is further described in Section G.6 below.

5. Distribution of Property Taxes after Project Completion

When the tax increment collection time limits are reached, all property taxes flow back to the respective taxing entities.⁵ Taxing entities benefit from increases in property tax revenues resulting from revitalized and redeveloped project areas. In many communities, such increases are substantial. In fact, following project completion, taxing entities can recoup revenues sufficient to make up for the property tax revenues that were allocated for redevelopment during the redevelopment implementation period. This recovery would occur because the increases in assessed valuation from revitalization of the project areas are greater as a result of redevelopment than the assessed valuation increases that would have occurred without redevelopment. Thus, payments to the affected taxing entities from a completed redevelopment project area can exceed the property taxes that the taxing entities would reasonably expect to receive from a slower-growing assessed valuation roll without redevelopment.

For example, the time limit for tax increment receipt in the 3-A Galvin Project Area is January 1, 2022. Since its Redevelopment Plan was adopted in 1955, blighting conditions in the 3-A Galvin Project Area have been alleviated through redevelopment efforts by the Agency and the private sector. When the Project Area expires, all property tax revenues will flow back to respective taxing entities. Due to redevelopment efforts in 3-A Galvin, these taxing entities can expect to receive a greater amount of property tax revenue. At the time the 3-A Galvin Project Area was adopted in 1955, the base year assessed value was approximately \$8.3 million. As of FY 2008/09, the assessed value in the project area had increased to approximately \$95.5 million, as indicated by an average annual growth rate in assessed value of 4.7 percent. Thus, redevelopment efforts likely had a dramatic impact on property values in this Constituent Project Area. Affected taxing entities will continue to benefit from this increase in assessed value when each Constituent Project Area expires and all property tax revenues become available.

G. Assumptions Used in Tax Increment Projections

The tax increment projections in this report are intended only as estimates based on the best available information as of the date of this report. Actual tax increments may be higher or lower than the projections. The tables in Appendix F present detailed analyses of potential tax increment revenues for the Merged Project Area. The tax increment estimates summarized in this Chapter IV and Appendix F are based on the following financial parameters and assumptions.

The tax increment projections are divided into the portion of the Merged Project Area subject to a tax increment cap (Cap Area), as defined above, and those not subject to a tax increment cap (Non-Cap Area). The Non-Cap Area includes portions of the Merged Project Area adopted in 1994 or later. These include all areas added in 1995, 1999 and 2005.⁶

⁵ Under the Plan Amendment and consistent with the CRL, tax increment collection for each Constituent Project Area comprising the Merged Project Area would end according to either the time or fiscal limit on tax increment collection, whichever is reached sooner, as summarized in Table IV-2.

⁶ Specifically, Non-Cap Areas include 1-A Eastshore (1999 Added Area), 6-A Harbor Gate (1995 Added Area), 6-A Harbor Gate (1999 Added Area), 8-A Hensley (1999 Added Area), 10-A Downtown (1999 Added Area), 10-B Nevin (1999 Added Area), 10-B Nevin (2005 Added Area), and 11-A Harbour (1999 Added Area).

1. Base Year Assessed Value

The base year assessed value refers to the fiscal year from which tax increment growth is calculated. The base year assessed value for the Cap Area and Non-Cap Area is approximately \$40.5 million and \$1.2 billion, respectively, as shown in Appendix F.

2. Present Value Assumptions

The analysis below provides estimates of tax increment revenues in both future value (nominal dollars and present value FY 2009/10 (constant 2010) dollars). The purchasing power of nominal dollars declines because of inflation and/or the cost of borrowing. Therefore, it is important to convert the annual amounts to the equivalent value in constant 2010 dollars before making a direct comparison between potential revenues and projected costs.

The present value in constant 2010 dollars is calculated by discounting future tax increment revenues by an annual rate of 5.5 percent. This discount rate reflects the recent cost of money, including interest and borrowing costs, to the Agency. Since 2000, the interest rate on Agency bonds has ranged from 5.0 to 5.5 percent. The discount rate accounts for the cost of inflation in order to approximate the present value of future dollars. Most of the tax increment will be pledged to the issuance of bonds, and a portion of tax increment may be used on a pay-as-you-go basis.

3. Tax Rate

In order to calculate the tax increment revenue from the Merged Project Area, the Contra Costa County Auditor-Controller multiplies the relevant taxable assessed value by two tax rates:

- Basic tax rate of \$1.00 per \$100 of taxable value.
- Tax rate levied to pay voter-approved indebtedness issued prior to 1989.

The basic tax rate may not exceed 1.0 percent (\$1.00 per \$100 of taxable value) per Article XIII A (Proposition 13) of the State Constitution. In addition, redevelopment agencies may receive incremental property tax revenues on voter-approved bonded indebtedness issued prior to 1989 for the tax rate areas that comprise a project area. These bonded indebtedness tax rates vary from year to year as property values change in a project area and as voter debt is retired.

The tax increment projections in this report use the basic 1.0 percent tax rate and also a 0.14 percent tax rate levied by the City for its pension obligations.

4. Growth Assumptions

Tax increment revenues are generated from the growth in assessed value above the base year assessed value (incremental assessed value). Tax increment revenues are projected by applying the effective property tax rate to the incremental assessed value.⁷ Growth in assessed property values in the Merged Project Area is based upon the following factors:

⁷ The tax increment projections in this report use the basic 1.0 percent tax rate and also a 0.14 percent tax rate levied by the City for its pension obligations, as stated in subsection 3 above.

Annual Inflation Rate

The annual inflation rate is assumed at two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvement. This two percent inflation factor is applied to the real property portion of assessed values.

Reassessment Adjustment and New Development in the Merged Project Area

The annual reassessment adjustment represents the increases in assessed value following property reassessment, which is triggered by the following: (1) the transfer, or sale, of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed. The tax increment projections are also based in part on estimates of growth due to new construction and redevelopment in the Merged Project Area that is consistent with the current General Plan. For the tax increment projections included in this report, growth in assessed value from identified new development is projected in two components. Identified new development activity, as estimated by the Agency staff, is summarized in Table IV-3. Not-yet-identified new development is combined with the reassessment adjustment and assumed to be four percent. This four percent reassessment adjustment and new development assumption is in addition to the two percent annual inflation adjustment described above.

**Table IV-3
Identified New Development Growth Assumptions**

Land Use	Cap Areas	Non-Cap Areas	Total
Non-Residential (SF)			
Commercial	322,159	1,400,226	1,722,385
<u>Industrial</u>	<u>652,594</u>	<u>4,918,911</u>	<u>5,571,505</u>
Total	974,753	6,319,137	7,293,890
Residential (units)			
Total	876	5,624	6,500

Source: Richmond Community Redevelopment Agency; Fraser & Associates

As shown in Table IV-3, further residential, industrial, and general commercial development is anticipated to be developed in the Merged Project Area. The estimates are based on information provided by Agency staff and the DEIR. These development projections are consistent with and lower than the development assumptions used in the DEIR buildout analysis, which assessed the “worst case” environmental impact. The tax increment projections are based on more conservative development assumptions.

Proposition 8 Reversals

A number of counties in California have processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. These reductions have affected the FY 2008/09 and FY 2009/10 tax rolls. These reductions are temporary, and when market conditions warrant, the county assessor can increase the value of the property back up to

its Proposition 13 value. For the Merged Project Area, taxable values decreased by approximately \$600 million in FY 2009/10 from their FY 2008/09 values. For purposes of the tax increment projections shown on Tables IV-5 and Appendix F, it has been assumed that these reductions would be reversed in the future.

5. Agency Tax Increment Obligations

According to State law, the Agency must use a portion of tax increment revenue to fulfill the following obligations:

a. County Fee for Property Tax Administration

Contra Costa County retains fees for the administration of tax increment revenues. The projections assume that this County retention will continue in about the same proportion as currently occurs, at approximately one percent of the basic tax revenues for each of the Constituent Project Areas comprising the Merged Project Area.

b. Housing Set-Aside for Affordable Housing Program

Section 33334.2 of the CRL requires that 20 percent of the gross tax increment revenues generated be used for increasing, improving and preserving a community's supply of low and moderate-income housing. In other words, twenty cents out of each tax increment dollar generated during the tax increment collection period must be allotted to the Housing Set-Aside Fund to finance the Agency's affordable housing program. This amount must be set-aside each year by the Agency and will not be affected by pass-through payment obligations, administrative costs or other factors. Uses of the Housing Set-Aside revenue include the payment of principal and interest on bonds, loans, money advances or indebtedness incurred by the Agency to finance affordable housing related activities. Administrative costs related to the implementation of the Affordable Housing Program are also typically paid out of the Housing Set-Aside Fund.

c. Statutory Pass-Through Payments

In addition to the property tax revenues received from the base year assessed value, the affected taxing entities in a redevelopment area may also receive a portion of the property tax revenues generated from increases in assessed value above the frozen base. These additional payments are called statutory pass-through payments. Project areas adopted or amended after January 1, 1994 must include statutory pass-through payments to the affected taxing entities imposed by AB 1290 and incorporated into the CRL.⁸

d. Educational Revenue Augmentation Fund Payment (Agency ERAF Obligation)

Faced with a budget gap for FY 2003/04, the State enacted SB 1045 (Chapter 260, Statutes of 2003) requiring all redevelopment agencies that received tax increment in FY 2001/02 to contribute to the Educational Revenue Augmentation Fund (ERAF) in FY 2003/04. Per the legislation, the Agency was allowed to extend the time limit for each of the Constituent Project

⁸ Project areas adopted or amended prior to January 1, 1994, may include negotiated, contractual pass-through agreements with the affected entities, as then permitted under the CRL. The Agency does not have any contractual pass through agreements with affected taxing entities for the Merged Project Area.

Areas by one year. Again, in an effort to balance the FY 2004/05 and FY 2005/06 budgets, the State enacted SB 1096 (Chapter 211, Statutes of 2004), which required redevelopment agencies to make additional ERAF payments in those fiscal years. The Agency made payments to ERAF in FY 2003/04 through FY 2005/06. Per the legislation, the Agency was allowed to extend the time limit for some of the Constituent Project Areas by up to two years, depending on the remaining years for tax increment collection.

Faced with a state budget gap in FY 2008/09, the State Legislature passed and the Governor signed AB 1389 in September 2008 requiring redevelopment agencies to contribute to ERAF once again and transfer \$350 million to fund State obligations. However, the Sacramento Superior Court (Court) found this provision to be unconstitutional and signed a judgment on May 7, 2009, forbidding any county auditor-controllers from taking any actions to carry out or enforce any of the ERAF payment requirements.

With a major state budget deficit in FY 2009/10 (and likely beyond), in late July 2009 the State Legislature approved and the Governor signed into law AB 26 4x, which requires redevelopment agencies to transfer \$1.7 billion in FY 2009/10 and an additional \$350 million in FY 2010/11 to a new ERAF-related fund (called "Supplemental ERAF" or "SERAF") to further relieve the State of its educational funding obligations. The impact of this latest legislation, if held constitutional, would be to require the Agency to contribute to the SERAF approximately \$10.1 million in FY 2009/10 and approximately \$2.1 million in FY 2010/11. It is expected that the constitutionality of these additional State takeaways from redevelopment agencies will also be challenged in court. However, for conservative planning purposes, this analysis assumes that the amounts set forth above will be contributed by the Agency to the SERAF and will not be available in FY 2009/10 and FY 2010/11 for other Agency programs.

With all previous ERAF takeaways over the past two decades, the legislation has specified that amounts paid by a redevelopment agency will not count as tax increment received toward a redevelopment plan limit on the total amount of tax increment that a redevelopment agency may claim. As a result, prior ERAF contributions by the Agency have delayed, but have not ultimately prevented, the receipt of the full amount of tax increment allowed under the applicable redevelopment plan dollar caps. The latest takeaway legislation (AB 26 4x) does not clearly provide for the same treatment, so it is unclear whether the amounts that may be transferred by the Agency to the SERAF in FY 2009/10 and FY 2010/11 will or will not count toward the dollar caps. For conservative financial planning purposes, the analysis in this chapter assumes that the upcoming SERAF payments will count toward the dollar caps, thereby reducing the ultimate revenue available to the Agency for its local redevelopment activities. If it turns out that the upcoming SERAF payments will be treated like all previous ERAF payments (i.e., will not count toward the dollar limits), the Agency will have additional revenue available for redevelopment activities.

The Agency cannot predict whether the State Legislature will enact legislation requiring transfers to ERAF in future years. Therefore, the Agency's tax increment projections do not assume a continuation of annual State ERAF payments. If the State Legislature does enact a future ERAF contribution requirement applicable to the Agency, such requirement could reduce the amount of tax increment revenue available in the applicable future year(s) for redevelopment program activities.

e. Agency Administration

The projections in this Plan Amendment estimate the Non-Housing Agency administrative costs at 20 percent of the incremental tax revenues remitted to the Agency after pass through payments and housing set-aside. As noted above, the administrative cost related to the implementation of the Agency's Affordable Housing Program is paid out of the Agency's Housing Set-Aside Fund.

6. Calculation of Pass-Through Payments

The Agency will continue to fulfill its pass-through obligations following the terms and calculations as outlined below:

a. Statutory Pass-Through Payment Calculations

Since the 1994, the CRL requires statutory pass-through payments to all taxing entities without pre-existing contractual agreements that are affected by plan adoptions or amendments after January 1, 1994. The Agency must adhere to the three-tier, CRL-mandated procedure for pass-through calculations. These pass-through payments constitute the State Legislature's determination of the payments necessary to alleviate any financial burden of the Redevelopment Program on affected taxing entities. CRL Section 33607.5(f)(1)(B) states that statutory pass-through payments are the only payments that are required of a redevelopment agency to affected taxing entities during the term of a redevelopment plan.

Through the process of several plan amendments in the Merged Project Area, the Agency has automatically incurred statutory pass-through payment obligations to all the affected taxing entities in the Merged Project Area. The Agency will continue to pay these statutory pass-through payments accordingly after the adoption of the proposed Plan Amendment.

Thus, the Agency is required to make statutory pass-through payments from all Constituent Project Areas to affected taxing entities. These pass-through payments are calculated by multiplying the property tax levy for each entity by a mandated set of three tiered pass-through percentages that are in turn multiplied by increases in assessed value above a relevant pass-through base assessed value for each tier.

**Table IV-4
Statutory Pass-Through Payment Obligation**

Merged Project Area	Acres	Date Adopted	Statutory Pass-Through AV Base	Statutory Year Pass-Throughs Begin
1-A Eastshore	123	8/26/1957	FY 1990/91	FY 1999/00
1-C Potrero	150	4/4/1960	FY 1999/00	FY 2000/01
3-A Galvin	95	2/28/1955	FY 1991/92	FY 1999/00
6-A Harbor Gate ^e	118	11/8/1954	FY 1990/91	FY 1995/96
8-A Hensley	91	5/29/1960	FY 1993/94	FY 1999/00
8-A 1980 Area	24	3/31/1980	FY 1993/94	FY 1999/00
10-A Downtown	107	5/23/1966	FY 2003/04	FY 2004/05
10-B Nevin	17	9/18/1972	FY 2002/03	FY 2003/04
11-A Harbour	964	6/9/1975	FY 2003/04	FY 2004/05
12-A North Richmond	19	9/18/1972	FY 2002/03	FY 2003/04
1-A Eastshore 1999 Area	14	7/13/1999	FY 1998/99	FY 1999/00
6-A Harbor Gate 1995 Area	616	6/26/1995	FY 1994/95	FY 1996/97
6-A Harbor Gate 1999 Area	16	7/13/1999	FY 1998/99	FY 1999/00
8-A Hensley 1999 Area	887	7/13/1999	FY 1998/99	FY 1999/00
10-A Downtown 1999 Area	174	7/13/1999	FY 1998/99	FY 1999/00
10-B Nevin 1999 Area	10	7/13/1999	FY 1998/99	FY 1999/00
11-A Harbour 1999 Area	141	7/13/1999	FY 1998/99	FY 1999/00
10-B Nevin 2005 Area	1783	7/12/2005	FY 2004/05	FY 2005/06

Source: Richmond Community Redevelopment Agency, Goldfarb & Lipman, Seifel Consulting Inc.

Over the life of the Merged Redevelopment Plan, each entity will receive its proportionate share of the three “tiers” of pass-through payments, as follows:

Tier One

The Tier One pass-through is calculated based on 20 percent of the gross tax increment generated from assessed value growth above the relevant first tier statutory pass-through base year assessed value.⁹ All affected taxing entities in the Merged Project Area are currently receiving statutory pass-through payments from all Constituent Project Areas.

Tier Two

The Tier Two pass-through is calculated based on 16.8 percent of the gross tax increment generated from assessed value growth above the relevant pass-through assessed value base for the tenth year of tax increment collection after the tier one pass-through payments begin.¹⁰ Tier Two pass-through payments began (or will begin) in the eleventh year during which the Agency receives tax increment from those respective areas. This Tier Two pass-through is added to the Tier One payment and continues through the remaining life of each Constituent Project Area.

⁹ This is equivalent to 25 percent of net tax increment after the 20 percent affordable housing set-aside.

¹⁰ This is equivalent to 21 percent of net tax increment after the 20 percent affordable housing set-aside.

Tier Three

The Tier Three pass-through payment is calculated based on 11.2 percent of the gross tax increment generated from assessed value growth above a project area's assessed value in the thirtieth year of tax increment collection after the tier one pass-through payments begin.¹¹ Tier Three pass-through payments will begin in the thirty-first year during which the Agency receives tax increment from those respective areas. This Tier Three pass-through is added to the Tier One and Tier Two payments and continues through the life of each Constituent Project Area.

Table IV-4 summarizes the years in which statutory pass-through payments began, or will begin, for Constituent Project Areas within the Merged Project Area.

City of Richmond Pass-through Election

The community that creates and oversees a redevelopment project is entitled to receive a more limited pass-through payment. The City of Richmond elected to receive its proportionate share of the Tier One pass-through payments in all of the Constituent Project Areas. As a result, per the CRL, the City cannot participate in the Tier Two and Tier Three pass through payments.

H. Tax Increment Projections

1. Incremental Tax Revenues

The Cap Area and Non-Cap Area of the Merged Project Area are projected to generate approximately \$626.8 million and \$5.5 billion in tax increment revenues in nominal dollars over the time period for tax increment collection, respectively. After reductions for county property tax administration fees, the Housing Set-Aside Fund, and mandatory pass-through payments, net tax increment is estimated at \$368.2 million and \$2.3 billion in nominal dollars, respectively for the Cap Area and Non-Cap Area of the Merged Project Area. Table IV-5 shows how these funds are projected to be distributed to the County for property tax administration, pass-through payments to taxing entities, and Housing Set-Aside Fund, and non-housing redevelopment programs, in nominal dollars.

¹¹ This is equivalent to 14 percent of net tax increment after the 20 percent affordable housing set-aside.

Table IV-5
Summary of Tax Increment Revenue Distribution (000's Omitted)
Cap and Non-Cap Areas

Tax Increment Projections	Cap Area	Non-Cap Area
Tax Increment Revenues	\$ 626,771	\$ 5,462,970
Less: County Administration Fee ^a	\$ 5,644	\$ 49,198
Subtotal: TI Remitted to Agency	\$ 621,127	\$ 5,413,772
Agency Obligations:		
Less: Pass-Through Payments ^b	\$ 127,528	\$ 2,046,656
Less: 20% Housing Set-Aside	\$ 125,354	\$ 1,092,594
Subtotal: TI Available for Non-Housing	\$ 368,245	\$ 2,274,523
Housing Redevelopment Program	\$ 125,354	\$ 1,092,594
<i>in 2010 Dollars</i>	\$ 73,083	\$ 266,726
Non-Housing Redevelopment Program ^c	\$ 368,245	\$ 2,274,523
<i>in 2010 Dollars</i>	\$ 221,334	\$ 580,809

Note: Figures in nominal dollars, unless otherwise indicated.

a. Property tax administration fees are based on one percent of tax increment, which is the percentage that such fees represented in FY 2008/09.

b. Tax sharing payments per AB 1290.

c. Includes Agency non-housing administration.

Source: Richmond Community Redevelopment Agency; Fraser & Associates.

I. Amended Outstanding Bonded Indebtedness and Tax Increment Limits

The assumptions used to calculate the new bonded indebtedness and tax increment limits are described below. First, the new limit on the principal amount of bonded indebtedness that can be outstanding at one time has been calculated in Table IV-6. The limitation is based on the Agency's Redevelopment Program costs, as shown in Chapter III. The proposed limit includes a 30 percent contingency factor for higher than anticipated costs associated with program implementation. In addition, the proposed limit includes a 20 percent financing costs factor for costs to the Agency associated with bond issuance. Taking into account \$143.8 million in principal outstanding tax allocation bonds, the proposed total outstanding bonded indebtedness limit for the Merged Project Area is \$1.61 billion.

In setting the new tax increment limit for the Cap Area of the Merged Project Area, a pro-rated portion of the existing debt service has been added. In order to take into account the time value of money, Agency program costs (inclusive of contingencies and finance costs) have been assumed to be financed as a single borrowing. Assuming a 7.5 percent interest rate and a term of 19 years, which is the time left to receive tax increment for most of the Constituent Project Areas, interest on the bond is estimated at \$234.4 million. In total, the new tax increment limit has been calculated at \$1.06 billion when all costs are taken into account. Table IV-6 includes assumptions and calculations for the new proposed tax increment limit.

Table IV-6
Estimated Bonded Indebtedness and Tax Increment Needed for Redevelopment Program
(000's Omitted)

	Merged Project Area		
	Cap Area	Non-Cap Area	Combined
Program Costs ^a	\$ 258,153	\$ 684,386	\$ 942,538
Plus: Contingencies @ 30% ^b	\$ 77,446	\$ 205,316	\$ 282,762
Finance Costs ^c	\$ 67,120	\$ 177,940	\$ 245,060
Principal Outstanding on Tax Allocation Bonds ^d	\$ 39,666	\$ 104,087	\$ 143,753
Proposed Bonded Indebtedness Limit (Rounded)	\$ 442,000	\$ 1,172,000	\$ 1,614,000
Plus: Debt Service on Existing Bond Issue (Interest Only) ^e	\$ 28,299		
Debt Service on New Bonds (Interest Only) ^f	\$ 234,353		
Estimated Tax Sharing Payments ^g	\$ 127,528		
County Administration Fee ^g	\$ 5,644		
SERAF ^h	\$ 10,566		
Total Project Costs	\$ 406,390		
Plus: Tax Increment Received Through FY 2008/09	\$ 215,372		
Proposed Tax Increment Limit (Rounded)	\$ 1,060,000	N/A	N/A

- a. Program costs include non-housing and housing redevelopment program costs and Agency administration costs.
- b. Contingencies calculated at 30 percent of costs.
- c. Financing costs are the costs of issuance included as 20 percent of Program Costs (with contingencies), assuming deposits to reserve fund, underwriters discount and miscellaneous costs associated with the issuance of bonds.
- d. Principal on 1998, 2000, 2003, 2004 and 2007 bonds.
- e. Interest on current outstanding bond.
- f. Based on financing new programs through bonds. Assumes a 7.5 percent interest rate and a 19 year term.
- g. As shown in Table IV-5.
- h. Reflects the proportion of FY 2009/10 and FY 2010/11 SERAF payments to be paid from Cap Area.

Source: Richmond Community Redevelopment Agency, Fraser and Associates.

J. Financial Feasibility of the Redevelopment Program

Tax increment revenue made possible through the Plan Amendment will provide the critical funding necessary to cover the Agency's costs related to implementing the Redevelopment Program. Section C of this chapter presents the estimated Agency funding requirements of the Redevelopment Program. Section D and Appendix F describe the non-tax increment funding sources that are likely to become available to finance a portion of the Redevelopment Program cost. From these descriptions, it is clear that tax increment revenue made possible through the Plan Amendment will be the essential component needed to fund the Agency's share of the costs of the Redevelopment Program.

1. Assumptions Used to Determine Financial Feasibility

To determine the financial feasibility of the Redevelopment Program, the Agency costs of the Redevelopment Program is compared to projected tax increment revenues available to the Agency. The analysis includes all of the expenditures needed to implement the projects and

activities of the Agency and is based on the following assumptions for continued implementation of the Redevelopment Program:

- Tax increment and bond limits will be increased as proposed in the Plan Amendment.
- Agency's funding requirement for the Redevelopment Program costs is as projected.
- New development activity will continue to occur in the Merged Project Area as the Agency continues to remove impediments to development.
- Agency will address and mitigate remaining blighting conditions discussed in previous parts of this report throughout the duration of the Redevelopment Program.
- Agency's efforts will serve as a catalyst for the generation of revenue necessary for the continued implementation of the Redevelopment Program.
- As the remaining deteriorated, aged and obsolete structures and other blighted properties are recycled or rehabilitated as a result of Agency activities, the annual flow of tax increment revenue will grow.

2. Proposed Financing and Financial Feasibility

Table IV-7 summarizes the proposed method of financing and the financial feasibility of the Redevelopment Program. It compares the projected tax increment revenues to be generated under the Plan Amendment to the Agency's funding requirement for the Redevelopment Program. Tax increment is net of the county property tax administration fees and pass-through payments. All figures are presented in constant 2010 dollars.¹²

¹² The net present value of the tax increment revenue stream has been calculated based on a 5.5 percent discount rate.

**Table IV-7
Financial Feasibility Analysis
(000's Omitted)**

	Merged Project Area		
	Cap Area	Non-Cap Area	Total
Tax Increment Revenues Available to Agency^a			
Available Non-Housing Tax Increment	\$ 187,691	\$ 492,524	\$ 680,215
Available Housing Set-Aside	\$ 67,061	\$ 250,923	\$ 317,984
Total Revenues	\$ 254,751	\$ 743,447	\$ 998,199
Expenditures^b			
Planning, Property Acquisition, Site Preparation, and Toxic Remediation	\$ 13,500	\$ 37,500	\$ 51,000
Commercial/Industrial Attraction, Retention and Expansion	\$ 49,150	\$ 27,600	\$ 76,750
Commercial Rehabilitation	\$ 2,500	\$ 2,500	\$ 5,000
Business Development	\$ 500	-	\$ 500
Public Improvements	\$ 46,025	\$ 102,000	\$ 148,025
Beautification	\$ 34,050	\$ 139,950	\$ 174,000
Cultural Arts and Recreational Facilities	\$ 8,500	\$ 38,500	\$ 47,000
Affordable Housing Program	\$ 67,061	\$ 250,923	\$ 317,984
Agency Administration	\$ 30,845	\$ 69,610	\$ 100,455
Total Expenditures	\$ 252,131	\$ 668,583	\$ 920,714
Ending Balance	\$ 2,621	\$ 74,864	\$ 77,485

Note: Figures in constant 2010 dollars, unless otherwise indicated.

- a. Present value of net tax increment and housing fund from Table IV-5 at 5.5% discount reduced for actual bond principal outstanding.
- b. From Table IV-1, except for Affordable Housing Program expenditures, which have been reduced for bond principal payments.

Source: Richmond Community Redevelopment Agency, Fraser and Associates.

The analysis indicates that the Redevelopment Program will be financially feasible as a result of increasing the financial limits as proposed in the Plan Amendment. Table IV-7 shows that net tax increment revenues and housing set-aside revenues available to the Agency will exceed Agency expenditures. The ending balance could be used as a safeguard against higher than expected costs and/or revenues that fall short of projections. Thus, the Plan Amendment will ensure the financial feasibility of the Redevelopment Program.

For the various reasons stated above, the Agency anticipates that it will be able to accomplish the goals of the Redevelopment Program under the proposed \$1.06 billion tax increment collection limit (for the Cap Area) and the proposed \$1.61 billion combined limit on outstanding indebtedness (for the Merged Project Area). However, the Agency may have to limit the projects it can fund if future revenues are not sufficient to undertake all of the projects and activities in the Redevelopment Program. In keeping with its balanced financial approach, the Agency will continue to adopt a budget annually and an Implementation Plan every five years. These will continue to address specific projects and activities in the Redevelopment Program. The Agency will assure through its annual budget process that the Redevelopment Program is financially feasible throughout the remaining life of the Merged Redevelopment Plan.

3. Financial Feasibility Over Time

Although the Cap and Non-Cap Areas have been fiscally merged and can share tax increment, the Non-Cap Area cannot provide the entire funding needed for the Agency’s redevelopment program in the Cap Area, as the Non-Cap Area has its own set of redevelopment projects and activities that are needed to alleviate blight in those areas. As shown on Table IV-7, the Agency funding requirement for the Non-Cap Area totals over \$668 million in constant 2010 dollars. It could be argued that the Non-Cap Area’s estimated ending balance (as shown on Table IV-7) could be used to finance projects in the Cap Area. However, this balance is due to tax increment revenue that would be received after the Cap Area is no longer eligible to undertake redevelopment activities. Table IV-8 below shows that through FY 2028/29 (when tax increment authority will expire for the major portion of the Cap Area) the Non-Cap Area will have only funded 32 percent of its non-housing activities (housing programs are assumed to be funded based on available housing set-aside resources).¹³ Thus, the ending balance from the Non-Cap Area would not be available to the Cap Area in a timely manner.

**Table IV-8
Non-Cap Area Financing Through FY 2028/29
Richmond Community Redevelopment Agency
(In 2010 Dollars)**

Net Resources	Non-Cap Area
Available Net Tax Increment ^a	\$ 131,613
Program Expenditures	
Planning, Property Acquisition, Site Preparation, and Toxic Remediation	\$ 37,500
Commercial/Industrial Attraction, Retention and Expansion	\$ 27,600
Commercial Rehabilitation	\$ 2,500
Business Development	\$ -
Public Improvements	\$ 102,000
Beautification	\$ 139,950
Cultural Arts and Recreational Facilities	\$ 38,500
Non-Housing Agency Administration	\$ 69,610
Total Expenditures	\$ 417,660
Percent Program Funded Through 2028/29	32%

a. Excludes housing set-aside revenues and expenditures.

Source: Richmond Community Redevelopment Agency, Fraser and Associates.

¹³ Under the existing time limits, the major portion of the Cap Area will collect taxes through FY 2027/28. Assuming that the SERAF is ruled constitutional, however, project areas that contribute to SERAF will be extended by one year.

V. Necessity for the Plan Amendment

The analysis presented throughout this Preliminary Report has demonstrated that significant physical and economic blight remains in the Merged Project Area and that the proposed Plan Amendment would provide the needed tools for the elimination of this remaining blight. This chapter summarizes the blight analysis and reiterates the necessity for the Plan Amendment to increase the fiscal limits on tax increment collection and bonded indebtedness of the Merged Project Area and reinstate the Agency's eminent domain authority for an additional 12 years over portions of the Merged Project Area. This chapter also explains why private enterprise and governmental action, working alone or together, cannot reasonably be expected to reverse existing blighting conditions without the Plan Amendment.

A. Necessity for Amendment to Increase Fiscal Limits

To continue the Agency's efforts in alleviating blighting conditions, the Agency is proposing to increase fiscal limits of each of the nine Constituent Redevelopment Plans covering the Merged Project Area. Without the Plan Amendment, the Agency will have insufficient financial capacity to fund the redevelopment activities needed to eliminate blight in the Cap Area. As provided for in the Constituent Redevelopment Plans governing the existing Cap Area, the total amount of tax increment the Agency is eligible to collect is \$521.4 million. The Agency has received cumulative tax increment of approximately \$215 million through FY 2008/09, leaving \$306.0 million. Approximately \$274 million of the remaining amount under the cap is committed to existing bonded debt and other obligations, leaving only \$32 million for additional redevelopment projects and activities and related administrative costs. The total estimated cost of the Agency's Cap Area redevelopment program is over \$250 million in constant 2010 dollars, as shown on Table IV-7.

1. Tax Increment Collection Limit

Accomplishing the redevelopment program in the Cap Area would require the Agency to increase the tax increment and bonded indebtedness fiscal limits. Under the Plan Amendment, the Agency would continue to pay pass-through payments and contribute to the housing set-aside fund. The program expenditures, pass through and housing set aside obligations and financing costs of bond issuances and interest payments would amount to approximately \$844 million. When this is added to the amount of tax increment already collected from the Cap Area, the tax increment collection limit would need to be raised to \$1.06 billion, an increase of \$539 million from the existing limit. Without an amendment to the Cap Area tax increment limit, the Agency will be unable to continue to implement the redevelopment program designed to alleviate blight in the Cap Area.

2. Bonded Indebtedness Limit

The increase in the bonded indebtedness limit is also essential if the Agency is to remove remaining blight throughout the Merged Project Area. The current limit is \$250 million and applies to the entire Merged Project Area except for the 10-B Nevin 2005 Area, which has a separate bonded debt limit of \$150 million. As of June 30, 2009, the Agency had approximately \$115 million in bonded indebtedness outstanding under the existing \$250 million limit, and

\$21 million outstanding for the \$150 million limit. In order to alleviate remaining blighting conditions in a timely manner, it may be necessary for the Agency to issue up to \$1.6 billion in tax allocation bonds to cover the costs of implementing the Redevelopment Program over the entire Merged Project Area. Without changes to the bonded indebtedness limit, the Agency would be unable to issue sufficient additional bonds to provide a source of capital for implementing the program of redevelopment.

B. Necessity for Extension of Eminent Domain Authority

Eminent domain has been, and will continue to be, a necessary and effective tool for alleviating remaining blight in the non-residential areas of the Merged Project Area.¹ In some cases it is the only way to overcome significant barriers to private investment, and without this tool the government would be unable to effectuate redevelopment. Through eminent domain, the Agency can assemble appropriate sites and prepare them for redevelopment. Site assembly by the Agency may be the only way to create parcels large enough for catalyst mixed-use projects or new affordable housing developments.

Private sector investment can be hindered in areas where different property owners own adjacent smaller lots and/or buildings. Development or redevelopment of these sites can be prohibitively expensive given the costs of construction, market conditions in the Project Area, and other site constraints. Larger sites would allow developers to design for the market and to capitalize on locational strengths such as proximity to the freeway. The same physical and economic conditions that limit the redevelopment potential of small sites also constrains their property value, thus owners of small properties typically have limited financial capacity. Therefore, it is often financially or logistically prohibitive for one property owner to purchase enough land to create a site suitable for redevelopment. In some instances, without the authority to use eminent domain, the public sector can only take limited action to alleviate blight. For example, loans to businesses and property owners to upgrade the safety and appearance of buildings will have little effect if the market demand for the types of businesses that can occupy small and irregular spaces is limited. Owners have little incentive to participate, and the Agency may not see a strong positive return on its investment.

Eminent domain can also be necessary in cases of incompatible uses, unsafe and unhealthy buildings, and crime hotspots. In some cases, the owners of properties that contain incompatible uses, unsafe and unhealthy buildings, or are locations of regular criminal activity may be absentee, unresponsive, or otherwise unwilling to cooperate with the Agency in its efforts to alleviate these blighting conditions through other redevelopment tools such as financial assistance. In these situations, the Agency's ability to purchase properties may be the only way to address the most extreme and persistent blighting conditions.

Furthermore, the authority to exercise eminent domain is a powerful tool even if the Agency does not ultimately go through the entire process to complete the transaction. The potential for eminent domain action may be sufficient to persuade a property owner to sell or redevelop the property on his or her own.

¹ Currently, all of the Constituent Redevelopment Plans authorize eminent domain over non-residential properties. The CRL allows eminent domain authority to be extended for up to 12 years.

In summary, the current financial limits and time limit on eminent domain restrict the Agency's ability to issue new debt, finance ongoing programs, and effectively alleviate blighting conditions. By increasing the tax increment and bonded indebtedness limits, the Agency will have the financial resources to complete an effective redevelopment program aimed at eliminating remaining blight and constraints to development in the Merged Project Area. The Agency will not have the ability to assist in the alleviation of remaining blight unless the existing financial limits are increased by adoption of the Plan Amendment. By extending eminent domain authority over non-residential portions of the Merged Project Area, the Agency will continue to have an important tool, which is required in some cases to overcome significant barriers to private investment. Without this authority, the Agency would not have the needed leverage to encourage redevelopment in the non-residential areas of the Merged Project Area.

C. Extent of Remaining Physical and Economic Blighting Conditions

The remaining physical and economic blighting conditions in the Merged Project Area are so prevalent and substantial that they cannot reasonably be reversed without continued redevelopment assistance. The documentation of the adverse physical and economic conditions in the Merged Project Area in Chapter II and the photographs contained in Appendix B demonstrate that significant blight is still prevalent.

The Merged Project Area contains a substantial number of buildings that suffer from deficiencies related to seismic susceptibility, dilapidation, deterioration and lead paint hazards, that make these buildings unsafe or unhealthy for persons to live or work. Factors that substantially hinder the viable use of buildings or lots also exist in the Merged Project Area, including obsolete industrial buildings and limited accessibility and circulation.

Several adverse economic conditions adversely impact the Merged Project Area, such as depreciated and stagnant property values and the presence of potentially hazardous or toxic materials that impair property values. Other adverse economic factors affecting the Merged Project Area include low commercial and residential lease rates, low residential sale and resale prices, a serious lack of neighborhood commercial facilities, an excess of problem businesses, and high crime rates.

Inadequate public infrastructure also negatively impact portions of the Merged Project Area, including inaccessible open space and outdated recreational facilities, poor street conditions, impaired circulation and accessibility deficiencies.

These physical and economic blighting conditions and public infrastructure deficiencies are a hindrance to the Merged Project Area that cannot be reversed or alleviated without the continued assistance of the Agency through the authority of the CRL. These blighting conditions have caused a reduction of, or lack of, proper utilization of buildings and lots in the Merged Project Area and constitute a serious physical and economic burden on the community that cannot be reversed or alleviated without the use of redevelopment powers.

D. Significant Burden on the Community

Chapter II documents that blighting conditions are a burden on the community and Merged Project Area properties are not being used to the same potential as properties in other parts of the city. The reduction of, or lack of, proper utilization constitutes a serious physical and economic burden on the community in at least the following respects:

- Deprives residents of Richmond and surrounding areas of employment opportunities
- Prevents adequate supply of affordable and other housing
- Deprives property and business owners of a competitive return on their investments
- Hinders the enhancement of the physical environment
- Prevents proper usefulness and development of land
- Deprives the City, County, education districts, and other affected taxing entities of an expanding tax base
- Hinders the development of a stronger economic base for the community

E. Limitations of Private Enterprise

The alleviation of blighting conditions in the Merged Project Area continues to be financially infeasible for the private sector acting alone. Without continued redevelopment, many of the program costs would have to be borne solely by the private sector. Chapter IV and Appendix E present a discussion of possible sources of public and private sector funds for redevelopment. The Agency has leveraged private sector funds in the past and will continue to do so in the future. However, by themselves, private sources have not been able to, and would not be able to, provide the resources necessary to eliminate blighting conditions and implement the full Redevelopment Program.

The private sector's ability to alleviate blight is limited by the following factors, among others:

- Depreciated or stagnant property values
- Low commercial and residential lease rates
- The remediation of parcels contaminated with toxic or hazardous waste is costly and a financial disincentive to reinvestment or development
- A serious lack of neighborhood commercial facilities
- A high crime rate is a deterrent to business located and locating in the area
- Limited accessibility and circulation
- Inadequate public facilities and infrastructure deficiencies hinder private sector development

Private funds will continue to be an important piece in the redevelopment of Merged Project Area, but they will likely not be enough to alleviate blighting conditions and meet community goals for the area while achieving a reasonable rate of return.

F. Limitations of Other Governmental Action

Alleviating blighting conditions is not feasible by governmental action alone. Financially, governmental action is limited by the lack of a reliable flow of federal, state, or local financial resources available to fund a comprehensive revitalization program, as discussed earlier.

The recent economic downturn, the State's adopted FY 2009/10 budget, as well as constraints to the City's budget have further limited government's ability to provide financial resources for local revitalization programs. For example, in the FY 2008/09 adopted City budget, the City scaled back annual expenditures from \$313 million in FY 2006/07 to \$268 million in FY 2008/09 in response to decreased revenues. Given the City's other funding priorities and needs, its ability to support revitalization programs is even more constrained.

Furthermore, as discussed in Chapter IV, the state's FY 2009/10 budget requires redevelopment agencies to transfer tax increments to SERAF in an amount over \$12 million over the next two fiscal years. These financial constraints would further limit the City of Richmond's ability to fund a comprehensive revitalization program on its own.

G. Conclusion

The nine Constituent Project Areas within the Merged Project Area were established after the City Council found that the blight that existed in the community could not reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. This Preliminary Report has documented that significant blight remains in the Merged Project Area, and an increase in fiscal limits to tax increment collection and bonded indebtedness, as well as the extension of eminent domain authority, are necessary and important tools to alleviate remaining blight.

Redevelopment assistance in the form of tax increment revenue made possible by the Plan Amendment is a last-resort funding source that is essential to fund the alleviation of the remaining blighting conditions and an effective revitalization effort for the Merged Project Area. Other funding sources, including public and private funding sources, are insufficient to fully fund redevelopment programs. In light of the State legislation to utilize local funds to balance the State's budget, as well as the current economic climate, both public and private funding sources are even more limited. As described earlier and in Appendix E, all other feasible sources of non-tax increment revenue will be applied toward the Redevelopment Program costs. However, the costs of the Redevelopment Program to alleviate blighting conditions are significant and more than the amount available from other potential funding sources. Therefore, the projects and activities of the Redevelopment Program could not be undertaken without redevelopment assistance.

Tax increment financing is a necessary financing tool, which will continue to be used to support the Redevelopment Program costs. The costs to alleviate the remaining documented blighting conditions, as discussed in Chapter III, substantially exceed available funding from public and private sources, as described in Chapter IV. Tax increment financing is the only source available to fill the substantial gap between the costs of the Redevelopment Program and other public and private revenue sources.

Eminent domain authority is a necessary and important tool to alleviate remaining blight in the non-residential portions of the Merged Project Area, and the Agency's ongoing redevelopment efforts will be enhanced by the reauthorization of eminent domain authority. If the power of eminent domain in the non-residential portions of the Merged Project Area were reauthorized for an additional 12 years, the Agency would retain its flexibility to use this tool, yet continue to pursue eminent domain only as a last resort.

If adopted, the Plan Amendment would:

- Increase the limit on the amount of tax increment revenue that the Agency may claim from the portions of the Merged Project Area subject to the current limit of \$521.4 million to a proposed revised limit of \$1.06 billion.
- Increase the limit on the principal amount of bonded indebtedness secured by tax increment revenue that may be outstanding at any time from the current 2005 Added Area limit of \$150 million and the current limit of \$250 million on the remaining Merged Project Area to a revised combined limit of \$1.61 billion.
- Extend the time limit for eminent domain authority over non-residential properties for up to 12 years but no longer than the plan effectiveness limit for the Constituent Project Areas within the Merged Project Area that contain significant blight that cannot be eliminated without the use of eminent domain.
- Amend, restate, and consolidate the redevelopment plans for the nine Constituent Project Areas within the Merged Project Area into a single consolidated redevelopment. This merged plan would incorporate the applicable provisions from each of the current Constituent Redevelopment Plans.
- Consolidate the goals and objectives for each of the Constituent Redevelopment Plans that guide the Redevelopment Program's projects and activities that may be undertaken by the Agency in the Merged Project Area; and
- Update various text provisions to conform to the current requirements of the CRL.

The Plan Amendment is necessary to provide the Agency with the financing and other tools necessary to complete the Redevelopment Program. This chapter demonstrated the general feasibility of the Plan Amendment pursuant to Section 33670, as required by the CRL. This chapter and Chapter III demonstrated that the proposed Plan Amendment is necessary to eliminate the remaining documented blight in the Merged Project Area.

Neither the private sector alone, the public sector alone, nor the private and public sectors working together without continued redevelopment assistance can financially support the costs of the redevelopment efforts in the Merged Project Area. Because these projects and activities are critical to the revitalization of the Merged Project Area, tax increment financing and eminent domain authority will continue to be critical tools enabling the Agency to accomplish the goals and objectives of the Redevelopment Program.