

**NAVAL TRAINING CENTER REDEVELOPMENT PROJECT AREA
THIRD FIVE YEAR IMPLEMENTATION PLAN, FY 2007-2012
MID-TERM PROGRESS REPORT**

This mid-term progress report has been prepared in accordance with California Health and Safety Code Section 33490(c), which requires every redevelopment agency, at least once during the five-year term of each implementation plan, to conduct a public hearing and hear testimony of all interested parties for the purposes of reviewing the redevelopment plan and the corresponding implementation plan for each redevelopment project, and evaluating the progress of the redevelopment project.

The Naval Training Center (NTC) Redevelopment Plan (“Redevelopment Plan”) was adopted by the City Council on May 13, 1997, and is administered by the Redevelopment Division of the City Planning and Community Investment Department. The approximately 550-acre NTC Project Area (“Project Area”) was adopted to eliminate and prevent the spread of blighting conditions by new construction, revitalization and upgrading of residential, commercial, office and public properties and facilities within and surrounding the Project Area. On July 17, 2007, the Redevelopment Agency adopted the Third Five-Year Implementation Plan (“Implementation Plan”) for the NTC Redevelopment Project Area. There have been no amendments to the Implementation Plan.

PLAN OBJECTIVES

The NTC Redevelopment Plan proposes to eliminate conditions of blight in the Project Area caused by the base closure with new construction, rehabilitation and infrastructure improvements as well as by coordinating various public projects proposed for the area. These objectives, which are listed below, were employed to formulate the overall strategy for the Implementation Plan.

- 1) Eliminate and prevent the spread of blight and deterioration and conserve, rehabilitate and redevelop the Project Area;
- 2) Improve, promote and preserve the positive neighborhood characteristics in the surrounding communities;
- 3) Improve, support and promote the growth and vitality of the Project Area’s business environment, and address the commercial, service and employment needs of the Project Area;
- 4) Increase parking, enhance the quality of mobility and improve transportation facilities which support the vitality, safety and viability of the Naval Training Center;
- 5) Expand and improve park and recreation facility options, green belts and open space opportunities as well as enhance the environmental habitat at the base;
- 6) Enhance infrastructure facilities;
- 7) Provide a full range of employment opportunities and public facilities;
- 8) Preserve and rehabilitate cultural resources; and
- 9) Promote the Naval Training Center’s historic district.

ACTIVITY

Since the Implementation Plan's adoption, the Project Area has accomplished the following items that were included in the FY2008-FY2010 Work Program:

Work Program: Commence Phase 2 construction of the NTC Park.

Construction of the NTC Park Phase 2 was begun and completed during this period. Phase 2 of the park was opened to the public in December 2009.

Work Program: Issue Phase II of the Mello-Roos Bonds.

The second issue of Community Facilities District No. 3 (CFD #3) Special Tax Bonds were issued in April 2008.

Work Program: Complete renovation of all buildings in the Educational Core.

The renovation of the final building (Building 94) in the Educational Core was completed in September 2007 by the Rock Church and Academy.

Work Program: Complete construction of the Courtyard by Marriott and Hilton Homewood Suites hotels on the west side of the NTC Boat Channel.

The 150 room Hilton Homewood Suites hotel was completed and opened for business in September 2007. Courtyard by Marriott followed with completion and opening of their 200 room hotel in May 2008.

Work Program: Commence construction of the hotel on the east side of the NTC Boat Channel

Construction of the east side hotel is suspended at this time due to the potential hotel developer's decision not to proceed with their plan. A new hotel developer is being sought by the Master Developer.

Work Program: Commence NTC Foundation planning and construction of Phase Two Rehabilitation.

The NTC Foundation initiated planning for rehabilitation of the Phase Two buildings during this period. Rehabilitation of the first building of Phase Two, Barracks Building 19, was completed in February 2009.

Work Program: Commence improvements to buildings within the Shoreline Plaza area at the north end of the NTC Boat Channel.

Renovation of the area at the north end of the NTC Boat Channel known as Shoreline Plaza and/or Ocean Village was completed in October 2008.

Work Program: Commence planning for NTC Park enhancements.

The NTC Redevelopment Project area will provide \$466,726 from tax increment funds toward the conceptual design and General Development Plan for the NTC Park Aquatic Center. This funding action was budgeted and approved in July 2008.

Work Program: Plan and construct shoreline improvements.

A Request for Qualifications and Proposals (RFQ/P) is in process for a consultant analysis of the Boat Channel embankment to determine conditions and necessary improvements to the NTC Boat Channel shoreline. The shoreline is part of the future property conveyance with the NTC Boat Channel and ultimately will be transferred from the Navy to the City of San Diego.

Work Program: Resume negotiations with the Navy to convey the NTC Boat Channel to the City of San Diego.

The Navy BRAC Program Management Office, West, and the Regional Water Quality Control Board have been working on a program to address certain sediment contamination in the NTC Boat Channel and guidelines for remediation. At this time they are continuing their negotiations concerning the clean up levels and methods to be used.

Work Program: Resume development of plan for PSTI.

The Regional Public Safety Training Institute (PSTI) Joint Powers Authority continues to plan the development for their Camp Nimitz campus. The City of San Diego Police and Fire Departments, along with the San Diego County Sheriff's office and the San Diego Community College District partners are currently reviewing their plan to create a campus that will provide a training facility to meet their needs. Preliminary plans are underway for a three to four year development of the property.

Work Program: Resume planning for undergrounding of steam lines and design of east side Esplanade.

When the Navy conveyed property to the City a steam system was in place to heat and cool the buildings. The cogeneration plant that provides the steam to the military facilities in the Point Loma/Loma Portal area is located just north of the PSTI property and is now maintained by contractors for the federal government. Active steam lines run along the top of the embankment of the NTC Boat Channel on the East side through an easement held by the Marine Corps Recruit Depot. While the former NTC property no longer uses the steam, the delivery system will continue to supply other military facilities south and west of NTC. The California Coastal Commission requires public access to the same area where the steam lines currently run above ground. An esplanade is planned to be built when the steam lines are placed in vaults underground. This item is currently on hold and will resume when the east side hotel development is underway, and/or PSTI and the Public Utilities Department, Wastewater Branch (formerly known as Metropolitan Wastewater Department) Environmental Monitoring and Technical Services Laboratory are able to complete the work on their respective portions of the esplanade.

Work Program: Continue marketing office, retail and commercial areas.

Pursuant to the Naval Training Center Disposition and Development Agreement McMillin-NTC, LLC, as master developer, maintains responsibility for the marketing of the office, retail and commercial areas. They continue to promote these areas.

FINANCIAL RESOURCES

Table 1 below presents the five-year tax increment revenue projections based on the financial analysis included as Table 1 to the Implementation Plan. Additionally, Table 1 shows 20% affordable housing set-aside requirements, statutory payments to affected taxing entities, debt service obligations, administrative expenses, and available tax increment revenues allocated for non-housing projects.

Over the five year period of the Implementation Plan, the Agency anticipated collecting a total of \$5,909,000 in housing revenues, and a total of \$7,058,000 in available non-housing revenues, after payments to taxing entities, debt service obligations, and administrative expenses. It should be noted that these are revenue estimates and actual funds available could either increase or decrease depending on the level of actual growth in the assessed valuation of the Project Area.

Table 1: Estimated Project Revenues and Expenditures

Fiscal Year	Increment to Agency	20% Set-aside	Net Tax Increment	Payments to Taxing Agencies	Debt Service	Administrative Expenses	Available Increment
2008	\$4,290,000	\$857,000	\$5,147,000	\$1,108,000	\$1,307,000	\$650,000	\$368,000
2009	\$6,000,000	\$1,226,000	\$7,226,000	\$1,172,000	\$1,307,000	\$700,000	\$1,595,000
2010	\$6,200,000	\$1,250,000	\$7,450,000	\$1,236,000	\$1,307,000	\$750,000	\$1,657,000
2011	\$6,300,000	\$1,275,000	\$7,575,000	\$1,302,000	\$1,307,000	\$750,000	\$1,666,000
2012	\$6,500,000	\$1,301,000	\$7,801,000	\$1,370,000	\$1,307,000	\$750,000	\$1,772,000
Totals	\$29,290,000	\$5,909,000	\$35,199,000	\$6,188,000	\$6,535,000	\$3,600,000	\$7,058,000

Source: 2007-2012 Naval Training Center Third Implementation Plan – Table 1

Table 2 below presents actual tax increment revenues the Agency has received over the first two fiscal years of the Implementation Plan and an estimate of tax increment to be received during fiscal year 2010 as reflected in the Agency’s FY2010 budget. Additionally, Table 2 identifies 20% affordable housing set-aside receipts, statutory payments to affected taxing entities, debt service payments, administrative expenses, and the available tax increment revenues allocated for non-housing projects. Over the first two fiscal years of the Implementation Plan, actual revenues received by the Agency for non-housing and housing funds have been significantly lower than forecasted in the Implementation Plan.

Table 2 – Actual Tax Increment Revenues FY08 – FY09 and Projected Revenue for FY10

Fiscal Year	Increment to Agency	20% Set-aside	Net Tax Increment	Payments to Taxing Agencies	Debt Service	Administrative Expenses	Available Increment
2008	\$3,983,900	\$796,800	\$3,187,100	\$796,800	\$885,000	\$442,200	\$1,063,100
2009	\$4,870,600	\$974,100	\$3,896,500	\$974,100	\$509,000	\$290,500	\$2,122,900
2010	\$3,910,900	\$782,200	\$3,128,700	\$782,200	\$1,161,300	\$363,300	\$821,900
Totals	\$9,246,400	\$2,553,100	\$10,212,300	\$2,553,100	\$2,555,300	\$1,096,000	\$4,007,900

Source: Agency Trust Fund Summary for FY2008 and FY2009 and Redevelopment Agency Budget for FY2010 (rounded to \$00s)

AFFORDABLE HOUSING

The provisions of Section 33413(b)(4) of the California Community Redevelopment Law (“CRL”) require the Agency to adopt and periodically update a plan to ensure compliance with the existing criteria of Section 33413 of the CRL regarding the affordability mix of new or rehabilitated housing units. Since the Implementation Plan’s adoption, the Project Area has accomplished the following items related to affordable housing that were included in the FY2008-FY2010 Work Program:

Work Program: Monitor Low/Mod Housing Fund.

The first priority for the NTC Low/Mod Housing Fund is to meet the commitments of the *Agreement between the City of San Diego and Representatives of the Homeless regarding the Homeless Assistance Element of the San Diego Naval Training Center Reuse Plan* (Homeless Assistance Agreement). To date, \$5,462,000 of the \$7.5 million has been disbursed to members of the Homeless Assistance Agreement for transitional housing projects. Additional funds will be used to assist other Affordable Housing projects outside the NTC Project Area boundaries.

In June 2007 the Agency obtained a \$7.1 million line of credit to fund affordable housing projects outside the project area. Two of those projects are El Pedregal Family Apartments (EPFA) and Verbena Apartments. The EPFA has been allocated \$3.2 million of the NTC line of credit and \$2.4 million is allocated toward the Verbena Apartments.

El Pedregal Family Apartments

Located on the northeast corner of San Ysidro Boulevard and Averil Road in the San Ysidro Redevelopment Project area, the EPFA is currently under construction and scheduled for completion in FY 2011. There will be 44 of the 45 units made affordable to households earning between 30% to 60% of the Area Median Income (AMI). As one of the funding sources for this project, the NTC project area will provide \$3.2 million in low- and moderate-income housing funds for the construction of the EPFA and will receive a 2:1 credit for production of these units. Final unit credit will be determined when construction is complete and detailed in future reports.

Verbena Apartments

In 2008, the Redevelopment Agency entered into an Owner Participation Agreement for the development of the Verbena project, located near Beyer and Foothill Blvd in the San Ysidro Redevelopment Project area. There will be 79 of the 81 units made affordable to households

earning between 30% and 60% of the Area Median Income (AMI). The NTC project area will provide \$2.4 million in low- and moderate-income housing funds for the construction of the Verbena project and will receive a 2:1 credit for production of these units. The NTC project area is one of several project areas providing low- and moderate-income housing funds. Final unit credit will be determined when construction is complete and detailed in future reports.

Work Program: Continue monitoring the Homeless Assistance Agreement.

The Third Amendment to the Agreement was approved in April 2009 to clearly define eligible rehabilitation improvements. The San Diego Youth & Community Services (now known as San Diego Youth Services or SDYS) organization received a \$150,000 revocable grant to perform specific rehabilitation according to the Third Amendment at their Wing Street facility. The remaining \$1,888,113 will be distributed among the 6 members who are parties to the Agreement.

SUMMARY

Since approval of the Implementation Plan, the Agency has participated in various revitalization projects and activities, including commercial development, affordable housing, and infrastructure improvements. Over the remaining balance of the Implementation Plan, the Agency shall continue to implement the established objectives of the Redevelopment Plan and Implementation Plan.