Orange Redevelopment Agency
Orange, California

Annual Report
Fiscal Year 2005-2006

Submitted By:
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Redevelopment Agency

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Executive Director's Message

I am pleased to present to the Board of Directors and the citizens of the City of Orange the Annual Report of the Orange Redevelopment Agency (Agency) for FY 2005-06.

Continued progress was made on several Uptown Orange projects this fiscal year. Trammel Crow neared completion of its 278-unit mixed-use project, while construction on BRE's 460-unit luxury apartment project was well under way. Plans and specifications were also approved for Archstone Communities to develop an 884-unit luxury apartment complex on the former Orange Drive-In site, with construction anticipated to begin in second quarter FY 2006-07.

Entitlements and an amendment to an existing Owner Participation Agreement were approved to enable the owners of Stadium Promenade to move forward with plans to reconfigure the entertainment and dining complex on Katella Avenue. An Owner Participation Agreement was also approved that will lead to the development of a 20,000-square-foot medical office on West Chapman Avenue between Citrus Street and Lester Drive.

Several new restaurants and retail shops opened in Old Towne, contributing to the continued enhancement of the City's historic downtown core. Following a major renovation and re-imaging of the former Mall of Orange, the Village at Orange successfully added new tenants to its in line shop space this fiscal year. Wal-Mart completed, and JC Penney began construction to upgrade their interior store spaces.

Agency and City efforts were extended to facilitate the demolition of a former Kmart store on North Tustin Street and redevelopment of the site for the City's second Home Depot store, which opened in second quarter FY 2005-06. Agency staff also began work on revising and expanding programs under the West Chapman Avenue Reinvestment Strategy to include additional incentives and make the programs available to all properties throughout the Redevelopment Project Area.

In the area of affordable housing, the Agency approved a Disposition and Development Agreement for an 18-unit, for-sale townhome project of which nine units will be made available to Moderate Income households. The Agency also approved affordable housing loan agreements with a non-profit developer to acquire and rehabilitate a total of 40 rental units on three separate sites that will be made available to Very Low Income households.

In summary, the Agency continued to aggressively pursue its mission to "promote economic growth and housing opportunities to enhance the quality of life throughout the community" the past fiscal year.

John W. Sibley
Executive Director

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Redevelopment Activities

Uptown Orange

Construction continued on Trammel Crow's 278-unit luxury apartment complex on West Chapman Avenue at Rampart Street. The four-story complex is "wrapped" around a parking structure, hiding parking from public view and presenting a dramatic streetscape along the Chapman Avenue and Rampart Street frontages. The project also includes 4,300-square-feet of retail space. The project is scheduled for completion in fall 2006.

Construction also continued on BRE's 460-unit luxury apartment complex on West Chapman Avenue at the Santa Ana River, adjacent to the Trammel Crow project. The BRE project consists of 338 units built in a four-story configuration along West Chapman Avenue that is also wrapped around a parking structure, and 122 units built in a three-story configuration with surface parking and garages on the rear of the property. The project is scheduled for completion in early 2007.

Archstone Communities finalized construction plans to develop an 884-unit luxury apartment project on the former Orange Drive-In site on State College Boulevard, north from the Santa Ana Freeway. The project is unique in that 532 of the units are located in Orange, and the remainder in the City of Anaheim. Project entitlement required close coordination and consultation between the two cities. The project is scheduled to begin construction in fall 2006.

Several other properties in the western part of Orange are undergoing major changes as well. University of California, Irvine Medical Center began construction on a $400 million renovation and expansion project. The project involves demolition of a multi-story parking structure that will be replaced by a state-of-the-art medical care facility. The project is scheduled for completion in 2008.

The Doubletree Hotel is being completely remodeled. The hotel ownership made a decision early in the fiscal year to undertake extensive interior and exterior improvements to the 22-year-old facility. During this fiscal year, all guest rooms were completely renovated and updated, as were the lobby, reception area, restaurant and ballrooms/meeting areas. Exterior painting and new signage will take place during the first half of fiscal year 2006-07.

Stadium Promenade

In FY 2005-06, the Orange Redevelopment Agency approved a Second Amendment to the Owner Participation Agreement with Stadium Promenade, LLC. The Second Amendment provides for additional improvement modifications to the original Stadium Promenade project in order to meet the leasing requirements of new retailers. The proposed modifications include: the construction of a new interior road to connect the parking areas within the project to allow for more efficient on-site circulation; demolition of 12,000 square feet of an existing building; and, construction of three new buildings totaling approximately 18,750 square feet. Stadium Promenade, LLC, has successfully negotiated leases with three new retailers including: Johnny Carino's Italian Restaurant, The Lazy Dog Café and a new drive-through Starbucks. The three new tenants anticipate opening in FY 2006-07.

The Village at Orange

The Village at Orange has successfully added new tenants to the remaining in-line mall shop space this fiscal year. New tenants in FY 2005-06 include: Wild Noodles, Gloria Jean's Coffees, Tuesday Morning, Party America, Quiznos, Sbarro, Mongolian Grill, June's Shoes, Stella's Accessories, and Chocolate Moose. In spring of 2005, Wal-Mart completed a major interior upgrade of its location at The Village including: new lighting, flooring, and interior display areas. JC Penney also began construction of interior improvements to upgrade and enhance its sales space.

The Block at Orange

Construction plans are underway for the reconfiguration of Metropolitan Drive and the addition of the fourth leg as part of the Garden Grove Freeway (SR 22) widening project, which will provide direct access into the center from the freeway. The Mills Corporation is in final discussions with the Orange County Transportation Authority to complete the conceptual design of the roadway reconfiguration. Construction is anticipated in FY 2006-07.

Old Towne Activities

New retailers, specialty shops and restaurants continue to establish and flourish in Old Towne Orange. Several new specialty shops opened in FY 2005-06 including: Old Friends Antiques, Frog's Breath Wine and Cheese Shop, Pa Kua Knowledge, All Flags & Sports, and Copperwood Artware.

In third quarter FY 2005-06, Mustard Café opened its third Orange County location in Old Towne. Mustard Café is located in the Jensen Building, at the northwest corner of South Glassell Street and Almond Avenue. Aldo's Italian Restaurant relocated from its Tustin Street location to a newly constructed 3,400-square-foot restaurant space in the Jensen Building.

In fourth quarter FY 2005-06, construction of Gabbi's Mexican Kitchen neared completion on South Glassell Street. The restaurant plans to open in summer 2006. Construction of Café Lucca on North Glassell Street also neared completion.

Collectively, these new businesses offer many additional shopping and dining opportunities in Old Towne.

Citrus Medical Center Development

In the third quarter of FY 2005-06, the Agency Board approved an Owner Participation Agreement with Valentine Realty Company, Inc., and IDC West, LLC for development of a 20,200-square-foot medical office building consisting of approximately 16,849-square-feet of gross leaseable space, with ground-level parking containing 101 parking stalls. The terms of the OPA provide for the Agency to sell four Agency-owned parcels totaling 1.28 acres to the Owner Participant for a purchase price of $1,394,000. The OPA requires the Agency to oversee demolition of one single-family home and one commercial building with an attached residence prior to property disposition. Demolition work was completed in fourth quarter FY 2005-06.

Home Depot

In FY 2005-06, Home Depot received City approvals to demolish the former Kmart building on North Tustin Street and construct a new 102,000-square-foot store along with a 30,000-square-foot garden center. Construction of the second Home Depot store is completed and the new facility opened in October 2005.

Small Business Assistance Programs

As part of the Agency's business development outreach efforts, staff began a review of current small business assistance programs to determine if the programs were adequately meeting the needs of the City's small businesses. The existing programs target exterior improvements to commercial properties located along the West Chapman corridor, and restaurant uses in the Old Towne area. The development of new programs, as well as an expansion of the existing programs to all commercial and industrial uses located within the Orange Merged and Amended Redevelopment Project Area are under consideration for adoption and implementation in FY 2006-07.

Royer Mansion

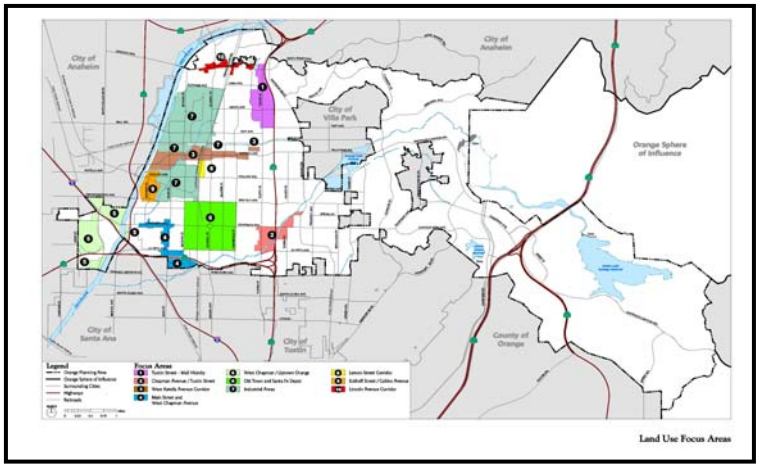
In FY 2005-06, the Orange Redevelopment Agency approved a Purchase and Sale Agreement with Royer Mansion, LLC for the acquisition of a 7,500-square-foot office building and adjacent carriage house located at 307 East Chapman Avenue. The Agency plans to acquire the property for a purchase price of $2.4 million. The building was previously converted to office use and the Agency intends to continue utilizing the building for office purposes while alternative uses are evaluated. The Agency anticipates closing escrow in fall 2006.

Chapman Avenue Banners

As part of the Redevelopment Agency's economic development and marketing efforts, the Chapman Avenue Banner Program was unveiled to highlight development activity presently underway in the West Chapman commercial corridor. Significant projects that are either under construction or completed in the West Chapman Avenue area include: West Chapman Avenue street widening project, undergrounding of the Southern California Edison utility poles and landscape enhancements, construction of several mixed-use projects in the Uptown area, and redevelopment of the University of California, Irvine Medical Center campus.

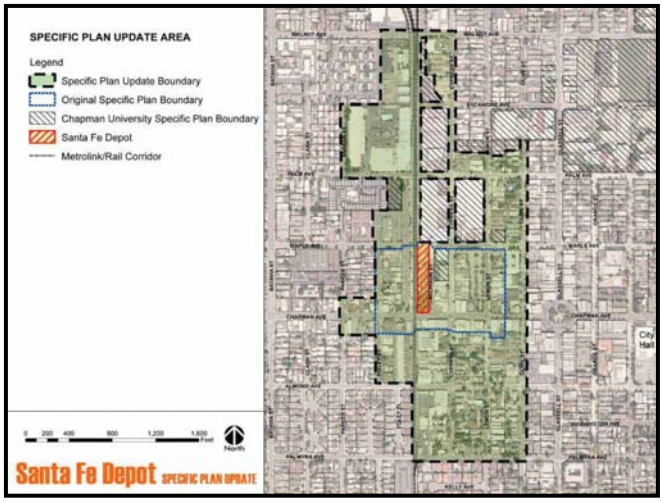
General Plan Update

During the last two years, the City of Orange has been working on a comprehensive update to its General Plan. In addition to updating the mandatory elements required by state law, a new Economic Development Element is being added to the General Plan. The Economic Development Element will establish goals and policies to cultivate economic growth and fiscal improvement for the City and the Redevelopment Agency. It is anticipated the proposed General Plan update will be completed in FY 2006-07.



Santa Fe Depot Specific Plan Update

In a cooperative effort with the City's Community Development Department, the Orange Redevelopment Agency is taking part in the Santa Fe Depot Specific Plan Update that began in March 2006. As part of the Agency's Five-Year Implementation Plan, an update to the original 1993 Santa Fe Depot Specific Plan was contemplated to further identify and refine redevelopment opportunities in the depot area to enhance its link to Old Towne. The Santa Fe Depot area is located within the Orange Merged and Amended Redevelopment Project Area and has become a vital commuter transportation center with Metrolink rail and OCTA bus service. The Depot area is home to the Cask 'n Cleaver restaurant, Veterans Memorial at Depot Park, a small number of specialty retailers and Chapman University's film school. Several community workshops and outreach efforts are planned to encourage community input to the Santa Fe Depot Specific Plan Update. Completion of the Specific Plan Update and environmental documents are anticipated in FY 2006-07.



OCTA Surplus Property on Manchester Avenue

Whenever an opportunity for redevelopment of an under-utilized property exists, the Agency carefully evaluates the future potential of the site and will purchase land for redevelopment purposes. During the fiscal year, the Orange County Transportation Authority notified the Agency of a parcel for sale located on Manchester Avenue adjacent to the City Town Center development. Staff is analyzing the potential of this site for future expansion of the City Town Center and the Agency is expected to move forward with acquisition of the OCTA surplus property in FY 2006-07.

Housing Activities

Manchester Walk

In September 2005, the Agency entered into a Disposition and Development Agreement (DDA) with Olson Urban Housing, LLC to develop 18 townhomes on a 1.1-acre site located at 206 North Manchester Avenue. The Agency sold the property to the developer in January 2006. During FY 2005-06, construction commenced and the sales office opened. It is anticipated that the development will be completed and the units will be sold during FY 2006-07. Under the terms of the DDA and related covenants, nine of the units will be affordable to Moderate Income homebuyers for a 45-year period.

Wilson Avenue Apartments III

The Agency places a high priority on acquisition/rehabilitation projects, focusing its efforts in high-density, multi-family neighborhoods such as the East Adams/Wilson area between Tustin Street and State Route 55 (Costa Mesa Freeway). In July 2005, the City and Agency entered into an Affordable Housing Loan Agreement with Orange Housing Development Corporation (OHDC) for the acquisition and rehabilitation of a 10-unit apartment complex located at 1944 East Wilson Avenue. Construction commenced in FY 2005-06 and will be completed in FY 2006-07.

The City and Agency provided Housing Set-Aside and Federal HOME Investment Partnerships Act (HOME) loans for the project. In return for this assistance, all of the units will be affordable to Very Low Income families for a 55-year period.

This is the third project on Wilson Avenue and the sixth project in the Adams/Wilson neighborhood to be renovated by OHDC with financial assistance from the City and the Agency. The other five projects are the Adams Avenue Triplex I, Adams Avenue Triplex II, and Adams Avenue Triplex III, Wilson Avenue Apartments I, and Wilson Avenue Apartments II.

Hoover Avenue Apartments I & II

In December 2005, the City and Agency entered into Affordable Housing Loan Agreements with OHDC for the acquisition and rehabilitation of two, 20-unit apartment complexes located at 108-118 West Hoover Avenue (Hoover I) and 218-228 West Hoover Avenue (Hoover II). Each project consists of 16, one-bedroom units and four two-bedroom units. The City and Agency provided Housing Set-Aside and federal HOME Investment Partnerships Act (HOME) loans for the projects.

Escrow closed in February 2006 and renovation of the Hoover I complex was nearing completion as of June 30, 2006. Renovation of the Hoover II complex will be completed in FY 2006-07. In return for this assistance, all 40 of the units will be affordable to Very Low Income families for a 65-year period.

Additional Housing Programs

The Agency continued to fund its Mobile Home Park Rental Assistance Program with Housing Set-Aside funds to provide affordable housing. The program, which is being phased out through attrition, provided monthly housing cost subsidies to one Very Low Income senior during FY 2005-06.

Housing Reporting Requirements

The following information is provided for the reporting period of July 1, 2005 through June 30, 2006 pursuant to California Health and Safety Code reporting requirements. All information pertains to this reporting period except the third item. [Section 33080]

Two non-elderly, Lower Income households were relocated as a part of the Citrus Medical Center Development, an Agency project. [Section 33080.4(a)(1)]

It is anticipated that no households will be displaced or will move from their dwelling units as part of an Agency-assisted project during FY 2006-07. Should the replacement obligations be incurred, replacement housing plans will be prepared. [Section 33080.4(a)(2)]

A portion of planning and general administrative costs related to housing programs and activities were charged to the Low and Moderate Income Housing Fund. These expenses were necessary for the production, improvement, or preservation of Low and Moderate Income housing. [33334.3(d)]

Two dwelling units, which consisted of one two-bedroom unit and one three-bedroom unit and were occupied by Lower Income households, were destroyed or removed from the affordable housing market as part of the Citrus Medical Center Development, an Agency project. [Section 33413(a)]

There were no new, or substantially rehabilitated dwelling units developed by the Agency. [Section 33413(b)]

There were no new affordable units or substantially rehabilitated dwelling units developed within the project area by public or private entities or persons other than the Agency. [Section 33414(b)(2)]

All Agency-assisted projects are monitored annually to ensure that long-term affordability is maintained. Annual reports, which are submitted by owners and managers of affordable units, are on file with the Agency. [Section 33418]

FISCAL STATEMENT

ORANGE MERGED AND AMENDED REDEVELOPMENT PROJECT AREA
Year Ended June 30, 2006
(Fund 987)

Beginning Balance		$ 7,980,694
Revenue:		
80% of Tax Increment Receipts		16,650,258
Interest Earned		250,972
Expenditures:		
80% of Debt Service		(3,968,300)
Pass-Throughs		
School Districts – Sec. 33401 & Sec. 33607.5	(2,647,812)	
Community College Districts – Sec. 33401 & Sec. 33607.5	(301,165)	
Other Agencies – Sec. 33401 & Sec. 33607.5	(1,286,622)	
Total Pass-Throughs		(4,235,599)
Education Revenue Augmentation Fund Payment (ERAF)		(1,278,167)
Other Costs		(116,560)
Transfers for Project Costs		(4,398,108)
Remaining Balance		**$ 10,885,190**

Outstanding Indebtedness Balance at June 30, 2006 is $439,525,081
Beginning Total Indebtedness Obligations (including Debt Service, Pass-Throughs, ERAF, Other Costs, and Transfers for Project Costs) for Fiscal Year 2005-06 was $18,974,507
Total Debt Service for Fiscal Year 2005-06 is $4,960,375
Total Tax Increment Generated/Received for Fiscal Year 2005-06 is $20,812,823

LOW AND MODERATE INCOME HOUSING FUND
Year Ended June 30, 2006

Beginning Balance	$ 20,091,506	
Revenue:		
20% of Tax Increment Receipts	4,162,565	
Interest Earned	310,211	
Miscellaneous Other	23,982	
Expenditures:		
Planning & Administration Costs	(615,725)	*
20% of Debt Service	(992,075)	
On- and Off-Site Improvements	(4,485)	
Remaining Balance (includes $12,737,482 in reserves for loans receivable and $709,190 in reserves for debt service)	**$ 22,975,979**	**

* Agency Housing Fund expenditures are more specifically set forth in the reporting schedules prepared for the State Department of Housing and Community Development and are also included in the Agency's report to the State Controller prepared by the Agency in accordance with California Health & Safety Code Section 33080.

** Current calculations demonstrate no excess surplus, as defined by statue, in the project area housing fund.

AGENCY OWNED PROPERTY REPORT

ORANGE MERGED AND AMENDED REDEVELOPMENT PROJECT AREA
Fiscal Year 2005-2006

Assessor Parcel No.	Location	Square Feet	Status
039-044-09,12,38,39	Northwest corner of W. Chapman Ave. & Citrus St.	65,000	Vacant
039-170-01	Atchison between Chapman Ave. & Maple Ave.	68,600	City Park & Leased Building
039-304-02	Southeast corner of Palm Dr. & Palm Ave.	12,000	Leased to adjoining preschool
039-312-01	Palm Dr. between Maple Ave. & Palm Ave.	8,800	Portion of Community Garden
232-061-04	215 - 218 State College Blvd.	108,900	Vacant
390-381-22	Orange St. between Almond Ave. & Chapman Ave.	6,600	Leased Building
390-382-05	Southwest corner of Chapman Ave. & Grand St.	15,000	RDA Offices
390-382-08	Grand St. between Almond Ave. & Chapman Ave.	7,900	Parking Lot
390-452-05	170 - 180 S. Water St.	87,000	Vacant Buildings
390-663-09	Northwest corner of Almond Ave. & Olive St.	7,900	Parking Lot
390-483-05	Chapman Ave., 135 feet west from Tustin St.	3,000	Future Chapman Ave. Right-of-Way

AGENCY LOAN STATUS REPORT

Pursuant to Health and Safety Code Section 33080.1(e), the Redevelopment Agency has not made any loans of fifty thousand dollars ($50,000) or more that were either in default or that were not in compliance with the terms of the approved loan within the previous fiscal year as a result of its activities.

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