

Exhibit A: FY 2008-09 Budget and Work Program



ORANGE COUNTY DEVELOPMENT AGENCY

2008-09 BUDGET AND WORK PROGRAM

SANTA ANA HEIGHTS REDEVELOPMENT PROJECT AREA
NEIGHBORHOOD DEVELOPMENT AND PRESERVATION PROJECT AREA

ADOPTED _____

INTRODUCTION

Pursuant to the California Community Redevelopment Law, California Health and Safety Code Section 33000, et seq. (Law), the Orange County Development Agency must adopt an annual budget for both of its redevelopment project areas: Santa Ana Heights (SAH) and the Neighborhood Development and Preservation Project (NDAPP). This budget identifies proposed expenditures, revenues, and indebtedness for fiscal year 2008-09; it also presents a work program for the coming year and an examination of prior year achievements.

BACKGROUND

In 1982, the Orange County Board of Supervisors established the Orange County Development Agency (OCDA). This authority allowed the County to initiate redevelopment projects and programs in unincorporated areas.

Project Areas

The Board of Supervisors adopted the County's first redevelopment plan and project area in 1986, known as the Santa Ana Heights Redevelopment Project. The Project Area encompasses the John Wayne Airport, the SAH community, and the Upper Newport Bay Regional Park. In addition to redevelopment goals such as housing rehabilitation, business attraction, and infrastructure improvements, the Project seeks to implement existing land use policies. Policy implementation would allow the orderly and balanced development of the SAH community via the Airport Master Plan, Land Use Compatibility Program, and the Santa Ana Heights Specific Plan.

The County's second redevelopment project area, the Neighborhood Development and Preservation Project (NDAPP), was adopted in 1988. Originally, NDAPP encompassed over 7,400 acres and was divided into 14 noncontiguous subareas; however, due to annexations only 11 subareas exist today. Redevelopment objectives for NDAPP include the elimination and prevention of physical, social, and economic decline.

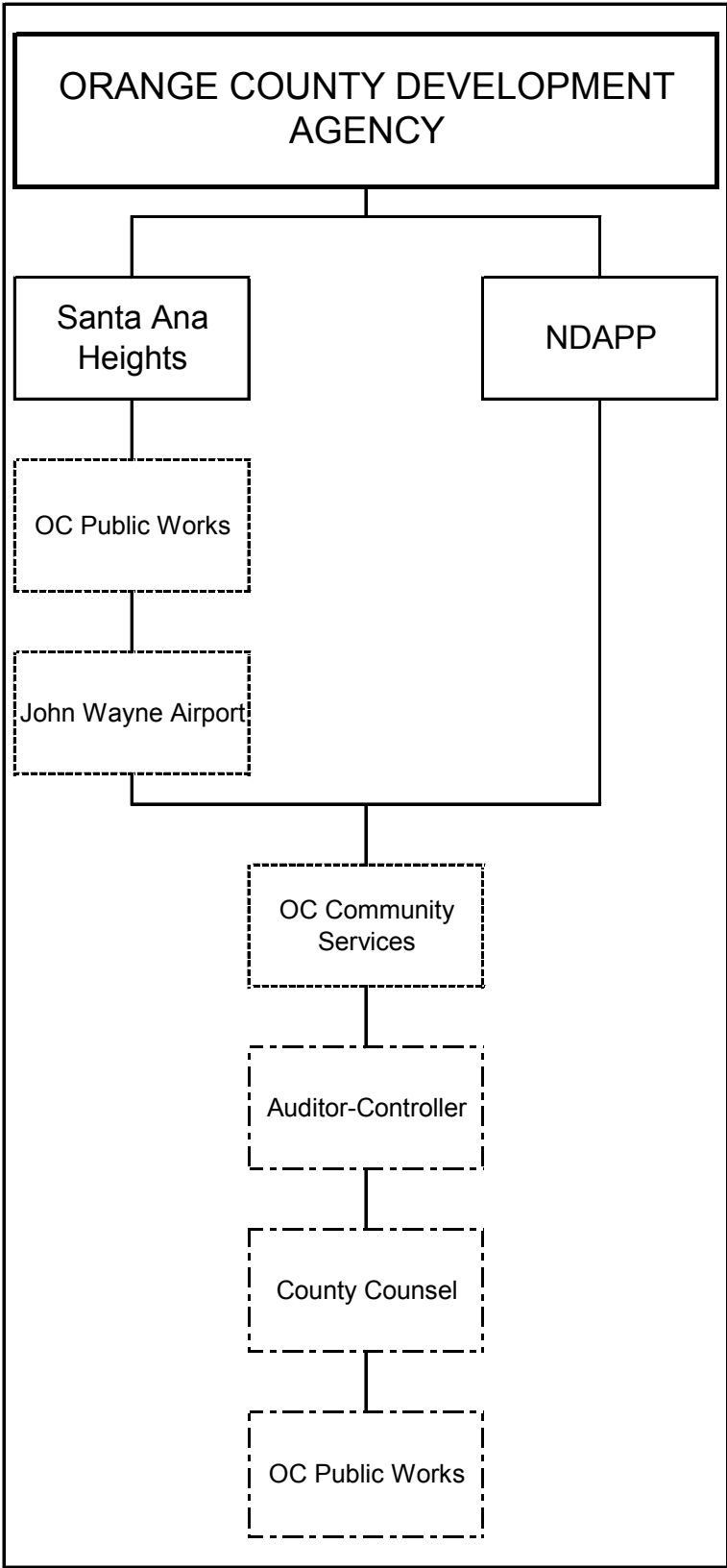
Organizational Structure

OCDA administrative duties such as budget oversight, fund control, and corporate day-to-day activities were moved in 2004 as part of the reorganization of the County Executive Office to OC Community Services. The goal of this reorganization was to achieve greater operational efficiencies in coordination with project implementation activities by OC Community Services. Various County departments are responsible for specific activities including infrastructure improvements, new development, developer/property owner and City negotiations, and housing programs.

Implementation activities within the SAH Redevelopment Project are performed by OC Public Works and by John Wayne Airport. OC Public Works oversees projects related to land use compatibility issues; Airport staff manages mitigation programs funded in part by the Federal Aviation Administration (FAA), namely the Acoustical Insulation Program.

OC Community Services administers redevelopment projects for NDAPP and provides support for all new housing programs in addition to having overall responsibility for the agency's activities and reporting requirements. Additional staff support from the Auditor-Controller, CEO Public Finance, County Counsel, and other functions within OC Public Works assist OCDA with accounting, legal, real estate, and public infrastructure issues (Figure 1).

Figure 1: Organizational Chart



Indebtedness

Redevelopment activities are primarily funded by tax increment and leveraged through the issuance of bonds. In fiscal year 2008-09, OCDA will generate an estimated \$29 million in tax increment from both project areas; however, much of this increment is earmarked for bond debt service, bankruptcy recovery contributions, and pass-through payments to other taxing entities.

Both project areas have outstanding bonds that require annual payments of principal and interest. For SAH, OCDA issued \$38.5 million in bonds, and for NDAPP, \$26.2 million. These bonds require annual debt service payments of approximately \$3.0 million and \$2.2 million, respectively.

Other earmarked resources include contributions to the County Bankruptcy Recovery Plan and taxing entity pass-through payments. By legislative mandate, OCDA is required to pay a total of \$4 million (\$2.7 million from SAH and \$1.3 million from NDAPP) annually into the County Bankruptcy Recovery Plan until 2016 (California Health and Safety Code Section 33670.9). This payment must come from tax increment not committed to debt obligations or affordable housing programs. OCDA is also required to pay a portion of its generated tax increment revenue to other taxing entities (e.g. school districts). Pass-through payments for SAH and NDAPP during fiscal year 2008-09 are projected at \$264,000 and \$7.6 million¹, respectively. Other related services associated with OCDA's debt service funds (172 and 427) are not included as part of this analysis.

It is important to note that the State will require OCDA to make a payment to the Educational Revenue Augmentation Fund, or ERAF, during the 2008-09 fiscal year. For fiscal year 2008-09, the required OCDA payment to ERAF is estimated to be \$1.8 million.

PROPOSED BUDGET

OCDA's proposed budget for fiscal year 2008-09 corresponds to those funds specified in the County's fiscal year 2008-09 Budget as of October 1, 2008. For SAH, these include funds 15A, 15E, 172, and 173; for NDAPP, funds 411, 412, 413, 414, 425, 427 and 428; and the combined housing fund 171 (Figure 2).

¹ The NDAPP pass through amount includes a transfer of funds to the City of Lake Forest, which is responsible for the former El Toro subarea.

Revenue

Funding for both project areas includes anticipated year-end fund balances (totaling approximately \$50.7 million) and new revenues (totaling \$7.9 million). The \$7.9 million in new funding includes tax increment revenue (net of debt service, pass through payments and other obligations), interest earnings, and FAA funding for appropriate projects within SAH. Total funding for programs and debt obligations amounts to approximately \$106.3 million.

Figure 2: Revenue Flow

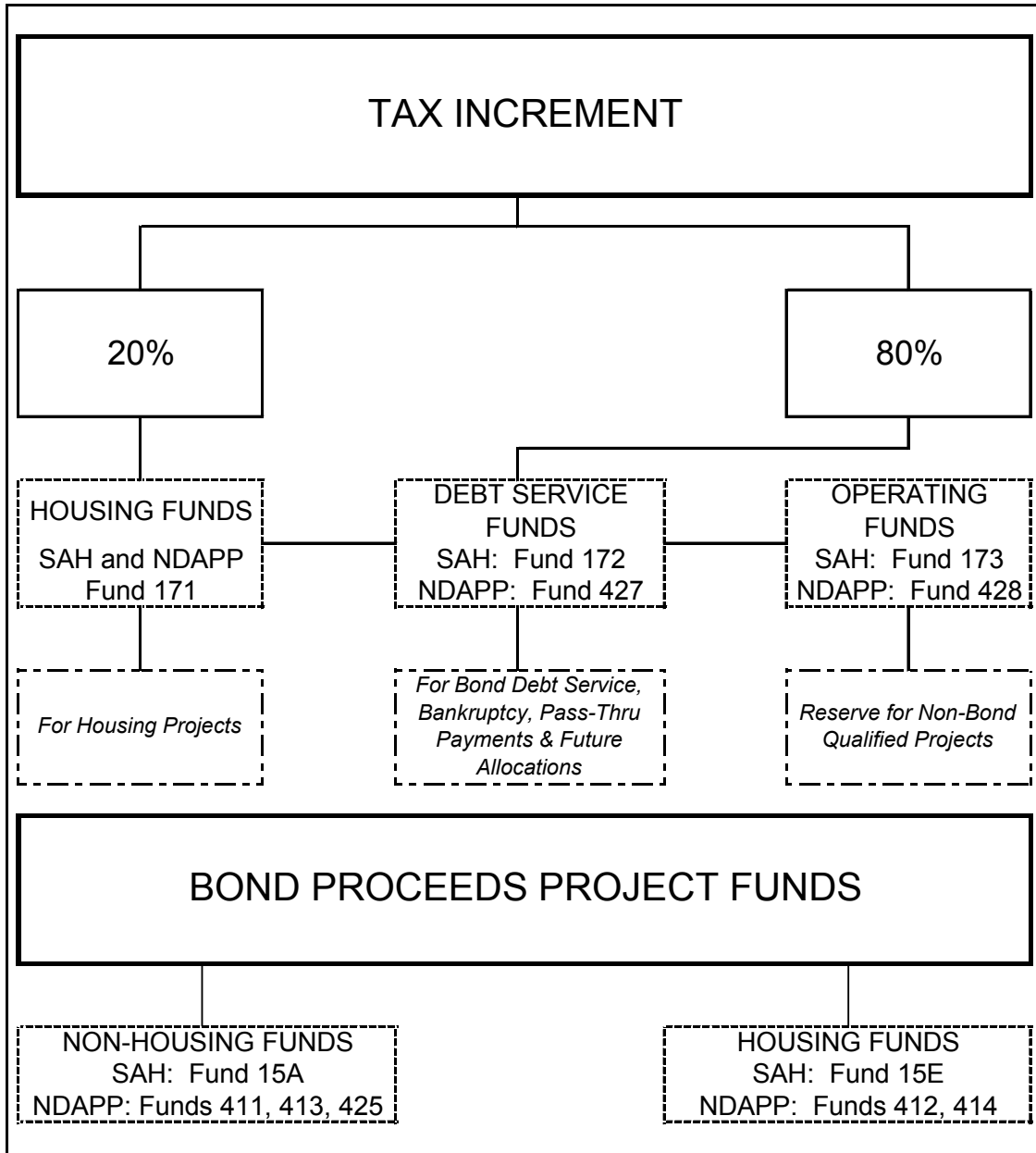


Figure 3: Total Funding

Fund Balances (5/08)		
Non-Housing Projects (SAH)	\$	20,100,000
Non-Housing Projects (NDAPP)		3,900,000
Housing Projects (Combined) ¹		26,700,000
Subtotal	\$	50,700,000
New Funding (07/01/08 - 6/30/09)		
Non-Housing Projects (SAH)	\$	800,000
Non-Housing Projects (NDAPP)		900,000
Housing Projects (Combined) ¹		6,225,000
Subtotal	\$	7,925,000
Funding for Other Debt Obligations		
Debt Obligations (SAH) ²	\$	21,700,000
Debt Obligations (NDAPP) ³		26,000,000
Subtotal	\$	47,700,000
TOTAL	\$	106,325,000

¹ Accounts for Funds 15E, 171, 412, and 414.

² Accounts for Fund 172.

³ Accounts for Fund 427.

Note: As a result of the latest State budget, OCDA will be required to transmit approximately \$1.8 million to the state as a new ERAF payment. Details of how that amount will be allocated between the two project areas and how the Countywide budget will be adjusted have yet to be determined.

Note: All figures are rounded.

Appropriations

Redevelopment implementation activities will continue to focus on eliminating and alleviating blighting conditions in the project areas. OCDA intends to use the low- and moderate-income housing set-aside funds to implement a variety of affordable housing projects, thereby determining that the planning and administrative expenses associated with such projects are necessary for the production, improvement, and preservation of low- and moderate-income housing. The projects to be funded conform to OCDA's adopted Five-Year Implementation Plan. All public infrastructure projects listed are included because there is no other identifiable source of available funding. All funded projects will benefit the residents and businesses of each project area.

Figures 4, 5, and 6 list the fiscal year 2008-09 budget appropriations for both project areas, including the combined housing fund.

Figure 4: Santa Ana Heights Program Allocations

Program	
Property Acquisition	\$ 500,000
Infrastructure Improvement/ Capital Project	6,600,000
Specific Plan Implementation/Support	12,900,000
Administration/Consultants/Operations	900,000
Subtotal	\$ 20,900,000
Other	
Debt Service Fund (Restricted) ¹	\$ 14,888,000
Annual Bond Debt Service	\$ 2,973,000
Pass-Thru Payments to Affected Taxing Entities	264,000
Contingency	875,000
Bankruptcy Recovery Payment	2,700,000
Subtotal	\$ 21,700,000
TOTAL	\$ 42,600,000
¹ Includes 172 Debt Service Fund.	
Note: All figures are rounded.	

Figure 5: NDAPP Program Allocations

Program	
Capital Projects	\$ 2,700,000
Community Centers	400,000
Administration/Consultants/Operations	1,700,000
Subtotal	\$ 4,800,000
Other	
Provision for Reserves	\$ 6,200,000
Debt Service Fund (Restricted) ¹	8,711,000
Annual Bond Debt Service	2,189,000
Pass-Thru Payments to Affected Taxing Entities	7,600,000
Bankruptcy Recovery Payment	1,300,000
Subtotal	\$ 26,000,000
TOTAL	\$ 30,800,000
¹ Includes 427 Debt Service Fund.	
Note: All figures are rounded.	

Figure 6: Combined Housing Fund Program Allocations

Program		
New/Rehab. Affordable Housing ¹	\$	29,800,000
Mortgage Assistance Program		525,000
Administration/Consultants/Operations ²		2,600,000
TOTAL	\$	32,925,000
¹ Accounts for Funds 15e, 171 and 414.		
² Accounts for Funds 15e, 412 and 414.		
Note: All figures are rounded.		

WORK PROGRAM

The aforementioned budget will incorporate the specific fund and estimated project allocations to implement OCDA's work program for the coming year. The following work program provides the plan for implementation.

Proposed Activities

A. Proposed executive activities include:

1. Payment of debt obligations including bond debt service, taxing entity pass-through payments, and bankruptcy recovery contributions;
2. Participation in the County's strategic plan for encouraging the annexation of unincorporated islands to adjoining cities where appropriate, including NDAPP sub-areas;
3. Cooperation with various County departments to prioritize projects with available funding;
4. Preparation and filing of State mandated reports; and
5. Coordination and completion of the annual OCDA audit.

B. Implementation of the Land Use Compatibility Program and the SAH Specific Plan include:

1. Pursuant to a Board of Supervisors and Orange County Development Agency Action passed on March 27, 2007 and amended on June 19, 2007, staff will complete the following projects. Upon completion of these projects all remaining Bond proceeds and Tax Increment, excluding the 20% Low-Mod Housing set-aside shall be accumulated until sufficient funds are available to satisfy the Santa Ana Heights Project Area's existing obligation to pay a portion of the County's bankruptcy recovery debt, as well as the outstanding Project Area Bonded indebtedness, after which the Project Area is to be terminated;

a. Kline Drive	\$850,000
b. Bristol Street Sidewalk	\$150,000

c. Mesa-Birch Park	\$378,000
d. Santa Ana-Delhi Channel Equestrian Area	\$175,000
e. Utility Under grounding (Mesa-Cypress)	\$7,500,000
f. Sewer Improvements	\$850,000

2. Participate in PAC meetings and circulate newsletter to inform the public of activities within the area; and
3. Dispose of surplus property.

C. Anticipated NDAPP activities include:

1. Prioritize, plan, design, and construct other needed public improvement projects (e.g. water and sewer improvements, sidewalks, community centers, etc.);
2. Acquire available properties for development of affordable housing;
3. Improve and/or reconstruct existing subarea roads ;
4. Complete off-site water, street, storm drain and/or sewer improvements in conjunction with affordable housing projects as required;
5. Plan, design, and construct improvements at the El Modena and Midway City Community Centers;
6. Continue to research and fund eligible regional level projects, potentially including Animal Care Shelter, and Mobile Multiservice Center projects;
7. Conduct a community development needs assessment for the NDAPP subareas;
8. Explore opportunities related to processing an SB211 Amendment;
9. Continue public relation efforts within community target areas via informational meetings and offer technical assistance in the Application Review Committee (ARC) preparation, and issue newsletters;
10. Continue funding administration programs in support of implementing various programs and continuing the submission of state-mandated reports; including contracts for consultants and special counsel for OCDA-NDAPP activities; and

D. Affordable Housing:

1. Implement the Neighborhood Preservation Program to provide loans for single-family owner-occupied properties within NDAPP's subareas for housing rehabilitation activities. OCDA loans will be available to owner-occupants with up to 80% of Area Median Income ("AMI"). Funds are allocated for future rehabilitation;
2. Continue to implement the Mortgage Assistance Program to assist eligible households with silent second loans of up to \$40,000. \$525,000 is earmarked for the program;

3. Coordinate the development of an affordable housing project on the former Buena Vista motel site in the Olive Heights sub-area, including working with a developer selected through a Request For Proposal (RFP) process to secure entitlements and financing for the construction of up to 17 affordable housing units;
4. **Notice of Funding Availability** - Issue a Multi-Family Affordable Rental Housing Notice of Funding Availability (NOFA) to assist non-profit and for-profit developers in creating new affordable rental housing units throughout the County. Approximately \$4 million of OCDA funds will be available;
5. **Palm Court Apartments** - Palm Court Apartments are located in Midway City and consists of 131 affordable units. The developer is proposing to acquire and rehabilitate the site and to rent the units to households with incomes at or below 80% AMI. The developer has requested \$3 million under the 2008 NOFA. Up to \$2.7 million in OCDA funds has been proposed to fund a portion of the loan should the project be presented and approved for funding by the Project Advisory Committee (PAC), and the Board of Supervisors. The County is anticipating funding a loan for the project in FY 2008-2009, if approved;
6. **Granite Court** – Granite Court Apartments, located in the City of Irvine, will have a total of 71 affordable one, two, and three-bedroom units. All of the units in the development will be affordable to families whose incomes are at or below 60% AMI. The County committed a permanent loan in the amount of \$2,515,200 to the project using \$715,200 in OCDA funds and \$1.8 million in HOME funds. The County will be restricting a total of 35 units in the project to families at or below 60% AMI. Of the 35 units restricted by the County, at a minimum, 10% of the units will be restricted to families whose income does not exceed 30% AMI. Construction commenced in June 2007 and will be completed in December 2008. The County anticipates funding the OCDA portion of the loan in FY 2008/09;
7. Explore feasibility of utilizing bond funds, and housing set aside funds to assist Social Services Agency with construction of transitional housing at the former MCAS Tustin base.
8. Explore opportunities to utilize housing set aside funds to assist with the County's mobile multiservice center.
9. At the conclusion of Fiscal Year 2007-08 it was determined that Agency's Housing Fund had developed an excess surplus of \$964,796. As required by Health and Safety Code 33334.10, the Agency has prepared a "Housing Set Aside Excess Surplus Plan" that identifies the Agency's plan to eliminate the surplus funds. This report is included as an Appendix to this Budget and Work Program.

Prior Year Achievements

- A. Over the past year, OCDA administrative tasks included:
 1. Management of the annual budget, work program, and other required reports, including the Annual Financial Statements and the State Controller's Report;
 2. Coordination with implementing departments to prioritize projects with available funds;

3. Participation in the County's strategic plan to encourage the annexation of unincorporated islands to adjoining cities, particularly NDAPP sub-areas;
4. Payment of debt obligations including bond debt service, taxing entity pass-through payments, and the County Bankruptcy Recovery Plan. Completed compliance requirements required by agreements between OCDA and the City of Newport Beach as they pertain to SAH; and
5. Implementation of the redevelopment component of the County's adopted Affordable Housing Strategy.

B. Specific activities within SAH included:

1. Cooperation with LAFCO staff, City of Newport Beach staff, and local groups in accomplishing the annexation of West Santa Ana Heights to the City of Newport Beach;
2. Continued collaboration with the PAC to address neighborhood improvements including water, drainage, park, sidewalk and streetlight improvements, and a community horse arena;
3. Significant progress toward completion of the acoustical insulation program and progress towards documenting the successful compliance with the California Noise Standards and to receiving CALTRANS approval for waiver of any further variance requirements; and
4. Completed improvements to Orchard Drive Park.

C. Prior year activities for NDAPP included:

1. **Community Center Improvements** Planned, designed, and completed needed improvements to the Anaheim Independencia Community Center; and
2. **Infrastructure Improvements** Provided funding to the Irvine Ranch Water District to completed improvements made to the Cabinland Pump Station.

D. Prior year affordable housing activities:

1. **Dorado Senior Apartments** - Dorado Senior Apartments are located in the City of Buena Park and consists of 150 affordable units rented to seniors with incomes at or below 60% AMI. The County restricted 103 of the units to families with incomes at or below 50% AMI. The project is complete and leased up. The County funded a \$200,000 OCDA loan to the project in September 2007;
2. **Woodbury NE Apartments**- Woodbury NE Apartments, located in the City of Irvine, consists of 150 one, two and three-bedroom units. The County restricted 148 of the units in the development to families whose incomes are at or below 60% AMI. The County is restricting 62 of the 148 units to families with incomes at or below 50% AMI. The project is complete and leased up. The County funded \$218,070 OCDA loan to the project in May 2008;

3. ***Mortgage Assistance Program (MAP)*** – The County continues to run a first-time homebuyers program. A maximum of \$40,000 of assistance for qualified households earning at or below 80% of the area median income is available through this program. The County continues to set-aside \$525,000 of NDAPP funding for eligible households wishing to purchase in the NDAPP project area; and
4. ***Issuance of 1999-2008 NOFA*** – Since 1999, OCDA housing set-aside funds in the amount of \$20.1 million have been committed through the NOFA process for the purpose of developing 1,516 units of affordable housing throughout the County. To date, 1105 units have been funded, completed and are leased-up.

CONCLUSION

The adopted work program will become the action plan to be implemented by OCDA for the remaining 2008-09 year. The County's final adopted fiscal year 2008-09 Budget incorporates the specific fund and project allocations to implement the work program. As required by law, an Annual Report will be prepared and submitted to the Agency Board, incorporating a financial transaction report for fiscal year 2007-08.

Appendix: Housing Set Aside Excess Surplus Plan

**HOUSING SET ASIDE
EXCESS SURPLUS PLAN**

ADOPTED _____

TABLE OF CONTENTS

INTRODUCTION	1
AGENCY'S EXCESS SURPLUS	1
ELIMINATION of EXCESS SURPLUS	1
EXCESS SURPLUS EXPENDITURES	3
A LONGER RANGE PERSPECTIVE	3
EXCESS SURPLUS PLAN IMPLEMENTATION	4

INTRODUCTION

At the conclusion of Fiscal Year 2007-08 the Orange County Development Agency (Agency) identified a surplus of funds in its Low- and Moderate Income Housing Fund (Housing Fund). Under state law, an excess of funds is defined as any unencumbered or unexpended amount in the Housing Fund that exceeds \$1 million or the aggregate amount of tax increment deposited into the Housing Fund for the four preceding fiscal years. Consistent with Health and Safety Code 33334.10, the Agency has developed this “Excess Surplus Plan” to outline the Agency’s objectives to eliminate the surplus funding.

AGENCY’S EXCESS SURPLUS

At the conclusion of Fiscal Year 2007-08 while preparing the Agency’s 2007-08 State Department of Housing and Community Development (HCD) Annual Report it was determined that the Agency’s Housing Fund had developed an excess surplus as described above. In addition, further analysis showed a potential surplus of funding at the conclusion of Fiscal Year 2008-09. Exhibit 1 has been prepared to illustrate the Agency’s excess surplus amount for Fiscal Year 2007-08 of \$964,796 and the potential surplus of \$ 3.7 million for Fiscal Year 2008-09.

Orange County Development Agency							Exhibit 1	
Excess Surplus Analysis								
Reporting Year	Total Tax Increment	Sum of Prior 4 yrs.	Adjusted Balance (PY)	Excess Surplus	Amount Expended/Designated(EY)	Remaining Excess Surplus	Cumulative Excess Surplus	
2003-04	\$4,134,686	n/a	n/a	n/a	n/a	n/a	n/a	
2004-05	\$4,269,792	n/a	n/a	n/a	n/a	n/a	n/a	
2005-06	\$4,672,660	n/a	n/a	n/a	n/a	n/a	n/a	
2006-07	\$4,365,617	n/a	n/a	n/a	n/a	n/a	n/a	
2007-08	\$4,200,000	\$17,442,755	\$18,407,551	\$964,796	\$1,048,070	-\$83,274	-\$83,274	
2008-09		\$17,508,069	\$21,178,603	\$3,670,534	\$3,726,856	-\$56,322	-\$139,596	

ELIMINATION OF EXCESS SURPLUS

To eliminate the current surplus of funds and help to prevent this issue from surfacing in future years the Agency has identified the following existing programs as well as several affordable housing projects that are anticipated to be completed in the near future.

1. Continue implementing the Neighborhood Preservation Program to provide loans for single-family owner-occupied properties within the Neighborhood Development and Preservation Program Project Area for housing rehabilitation activities. Agency loans will be available to owner-occupants with up to 80% of Area Median Income (“AMI”). Funds are allocated for future rehabilitation;
2. Continue to implement the Mortgage Assistance Program to assist eligible households with silent second loans of up to \$40,000. \$525,000 is earmarked for the program;

3. Issue a Multi-Family Affordable Rental Housing Notice of Funding Availability (NOFA) to assist non-profit and for-profit developers in creating new affordable rental housing units throughout the County. Approximately \$4 million of Agency funds will be available;
4. Coordinate the development of an affordable housing project on the former Buena Vista motel site in the Olive Heights sub-area, including working with a developer selected through a Request For Proposal (RFP) process to secure entitlements and financing for the construction of an affordable housing project up to 17 units;
5. Explore feasibility of utilizing excess housing set aside funds to assist Social Services Agency with construction of transitional housing at the former MCAS Tustin base.
6. Explore opportunities to utilize housing set aside funds to assist with the County's mobile multiservice center.
7. Fund affordable housing projects:
 - Palm Court Apartments are located in Midway City and consists of 131 affordable units. The developer is proposing to acquire and rehabilitate the site and to rent the units to households with incomes at or below 80% AMI. The developer has requested \$3 million under the 2008 NOFA. Up to \$2.7 million in Agency funds has been proposed to fund a portion of the loan should the project be presented and approved for funding by the Project Advisory Committee (PAC), and the Board of Supervisors. The County is anticipating funding a loan for the project in FY 2008-2009, if approved;
 - Granite Court Apartments, located in the City of Irvine, will have 71 one, two, and three-bedroom units. All of the units in the development will be affordable to families whose incomes are at or below 60% AMI. The County committed a permanent loan to the project using Agency and HOME funds in the amount of \$2,515,200. The County will be restricting a total of 35 units in the project to families at or below 60% AMI. Of the 35 units restricted by the County, at a minimum, 10% of the units will be restricted to families whose incomes do not exceed 30% AMI. Construction commenced in June 2007 and will be completed in December 2008. The County anticipates funding a \$715,200 Agency loan for the project in FY 2008-09;
 - Tonner Hills located in Brea will provide affordable rental housing as part of a joint effort between the County and the City of Brea. The County anticipates funding a \$3.2 million loan for the project in FY 2011-12.

Additionally, the Agency is reviewing its "pipeline report" to identify other affordable housing opportunities to aggressively pursue.

Based on the programs and projects discussed above the Agency believe that the excess surplus identified at the end of Fiscal Year 2007-08 will be more than eliminated during Fiscal Year 2008-09.

EXCESS SURPLUS EXPENDITURES

Section 33334.10 (b) of the Law requires that the Agency separately account for each excess surplus. For example, if an agency accrued an excess surplus in more than one year (hypothetically \$5,000 in 2006-07 and then \$10,000 in 2007-08) and then expended \$15,000 dollars from the Housing Fund \$5,000 would be credited towards Fiscal Year 2006-07 and the remaining \$10,000 would be credited towards the 2007-08 excess surplus amount. Furthermore, excess surplus amounts should be eliminated in the order of fiscal year that an excess surplus was accumulated.

As noted above the Agency is required by Section 33334.12 of the Law to expend or encumber the excess surplus within one year of accumulation. If the Agency fails to do so it may (a) voluntarily disburse excess surplus to the Orange County Housing Authority or to another public agency for use in the Project Area or (b) expend or encumber its excess surplus within an additional two years. If the Agency does not expend or encumber the excess surplus within three years from accumulation they will be subject to sanctions.

As depicted in Exhibit 1, the Agency has a need to eliminate the Fiscal Year 2007-08 excess surplus in the amount of \$964,796. Exhibit 2 provides details on how the Agency intends to eliminate this excess surplus amount anticipated for Fiscal Year 2007-08 within the allocated three years.

However, new deposits of tax increment are made to the Housing Fund each year. Over the next several years, this amount is expected to average over \$4 million per year. For this reason, there may be a need to address an excess surplus at the end of Fiscal Year 2008-09, particularly if the pace of housing development remains slow. As noted in the following section, a number of program changes have been made to allow these funds to be expended more efficiently. However, as long-term projects are slowed, the manner in which the Law requires the excess surplus to be defined requires a near term focus.

A LONGER RANGE PERSPECTIVE

Each year, the Agency contributes \$4 million to NOFA. The purpose of the NOFA is to make housing set-aside funding available to non-profit and for-profit developers for the creation of affordable housing opportunities throughout Orange County.

In the past, the NOFA process has been very successful in providing housing set-aside funding to developers; however, recently a number of obstacles have prevented the Agency from fully utilizing this process.

In 2006, the Orange County Board of Supervisors approved the Rancho Mission Viejo housing development. Unfortunately current market conditions have had a significant impact on the progress of this project. As market conditions improve the Agency anticipates this project moving forward. This development includes a donation of 60 acres for the development of affordable housing. This will produce approximately 1800 units of affordable housing. At this time Housing Set-Aside Funds have been identified to assist with the development of this project.

EXCESS SURPLUS PLAN

Orange County Development Agency

Further compounding this issue, staff during the 2007 and 2008 NOFA processes were required to return several applications totaling over \$12 million due to problems related to the initial application as well as internal NOFA policies.

To overcome these obstacles and continue to utilize Agency housing set-aside funding for the development of affordable housing opportunities throughout Orange County pursuant to the provisions of Health and Safety Code Section 33334.2a, the Agency has revised portions of its NOFA policies to be more consistent with present day needs, continues to work with other County agencies on utilizing the donated land in the Rancho Mission Viejo project, and increase the level of funding made available in future NOFAs. The Agency strongly believes that the implementation of these changes as well as those future projects currently in progress will eliminate any surplus funding in the housing set-aside fund.

Projections in the chart below are based on existing loan commitments that have already been approved by the Orange County Board of Supervisors and applications that are currently being considered for funding by OC Community Services staff.

Orange County Development Agency						Exhibit 2
Excess Surplus						
Fiscal Year	Excess Surplus	Operations and Administration	Project Total	Projects plus Opns Admin	Remain Surplus Calculaion	Remaining Surplus
2007-08	\$964,796	\$105,000	\$943,070	\$1,048,070	-\$83,274	\$0
2008-09	\$3,670,534	\$415,500	\$3,726,856	\$4,142,356	-\$471,822	\$0

EXCESS SURPLUS PLAN IMPLEMENTATION

The Agency will assume responsibility for implementing this Excess Surplus Plan and verifying that excess surplus amounts are eliminated within a three-year period to avoid sanctions. A copy of this Excess Surplus Plan will be submitted to the State Department of Housing and Community Development as part of the Agency's annual reporting requirements. The Agency will continue to make every effort to be in compliance with the Law as it relates to the expenditure of the Housing Fund.