

# **Midterm Review of the Five Year Implementation Plan (2009/10-2013/14) Huntington Beach Merged Redevelopment Project**

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## **Merged Project Area (comprises the following Projects)**

- **Yorktown-Lake**
- **Talbert-Beach**
- **Original Main Pier**
- **Oakview**
- **Added Main-Pier**
- **Huntington Center**

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**Redevelopment Agency of the City of Huntington Beach**  
Huntington Beach Civic Center  
2000 Main Street  
Huntington Beach, CA

**December 19, 2011**



**ACKNOWLEDGEMENTS**

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**INTRODUCTION**

This document is the Midterm Review of the Five Year Implementation Plan (“Midterm Review”) for the Huntington Beach Merged Redevelopment Project (“Project Area”) of the Redevelopment Agency of the City of Huntington Beach (“Agency.”) The Implementation Plan covers the period of fiscal years 2009/10 to 2013/14. The Midterm Review evaluates the Agency’s previously-stated goals and objectives, anticipated projects, programs and estimated expenditures for the five-year planning period ending in 2013/14.

The City Council of the City of Huntington Beach (“City”) created its Redevelopment Agency on March 1, 1976. Between 1982 and 1984, the Agency adopted five separate redevelopment areas: Main-Pier, Talbert-Beach, Yorktown-Lake, Oakview, and Huntington Center. In December 1996, the five previously-identified redevelopment project areas were merged to form a single project area entitled the Huntington Beach Merged Redevelopment Project Area, also more commonly known as the “Merged Project Area,” consisting of 619 acres.

Maps depicting the boundaries of the constituent areas of the Merged Project Area are presented in Exhibits A-E.

**Implementation Plan Amendment and Midterm Review**

Pursuant to Health and Safety Code Section 33490 (c), at least once within the five-year term of the Implementation Plan, the Agency must conduct a public hearing and allow testimony from all interested parties. This hearing must take place no earlier than two years and no later than three years after the adoption of the Implementation Plan. The Midterm Review conducted by the Agency is two years from adoption of the Implementation Plan. Notice was published in the Huntington Beach Independent for three consecutive Thursdays at least 31 days prior to the hearing. Notices were also posted in four (4) separate and conspicuous locations in the Merged Project Area for three weeks.

**Project Area Time Limits**

Pursuant to California Redevelopment Law, redevelopment areas are subject to various time limits. The table below summarizes the Huntington Beach Merged Redevelopment Project time limits pertaining to plan effectiveness, eminent domain authority, incurring debt, and repaying debt.

Subarea	Adoption Date	Effective Date of Redevelopment Plan	Time Limit for		
			Eminent Domain Authority *	Time Limit to Incur Debt	Time Limit to Repay Indebtedness
Yorktown Lake	9/20/1982	9/20/2025	No Authority	Rescinded	9/1/2035
Talbert-Beach	9/20/1982	9/20/2025	No Authority	Rescinded	9/1/2035
Original Main Pier	9/20/1982	9/20/2025	7/15/2014	Rescinded	9/1/2035
Oakview	11/1/1982	11/1/2025	No Authority	Rescinded	11/1/2035
Added Main-Pier	9/6/1983	9/6/2026	7/15/2014	Rescinded	9/6/2036
Huntington Center	11/26/1984	11/26/2027	7/15/2014	Rescinded	11/26/2037

\* - Oakview Subarea excludes eminent domain on certain properties (Exhibit D - Redevelopment Plan).  
 - Original Main Pier and Added Main Pier Subareas excludes eminent domain on property on which any persons legally reside.

### **Affordable Housing Requirements Not Included in this Implementation Plan**

The documentation of affordable housing requirements within the Project Area is being prepared and approved by the Agency under a separate document, which will be incorporated into this Implementation Plan via reference. The “Affordable Housing Strategy” for the Project Area satisfies the requirements of Sections 33334.2, 33334.4, 33334.6, 33413(a), and 33413(b) of the Health and Safety Code. The Affordable Housing Strategy summarizes the Agency’s housing obligations pursuant to the legal requirements of AB 1290, AB 315, AB 437, AB 637, and SB 701 for the 2009/10 - 2013/14 planning period.

### **Implementation Plan is Not a “Project” Under CEQA**

Pursuant to Section 33490 (a)(1)(B) of the Health and Safety Code, the Implementation Plan does not constitute a project within the meaning of Section 21000 of the Public Resources Code (the California Environmental Quality Act [CEQA]). This Implementation Plan does not constitute an approval of any specific program, project, or expenditure nor does it eliminate the requirement for CEQA review (to the extent that it is required) at the time of approval of the program, project, or expenditure.

Exhibit A

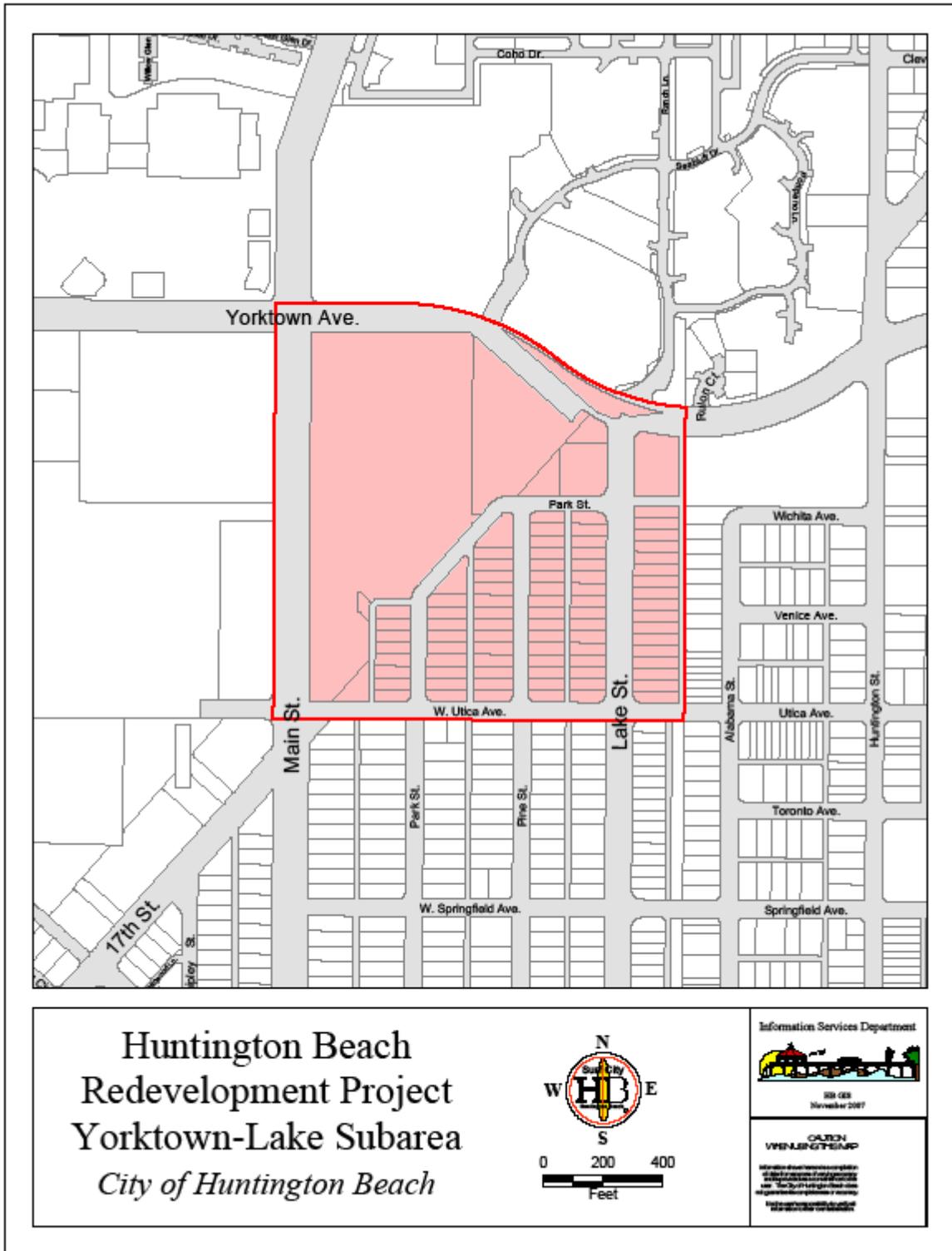


Exhibit B

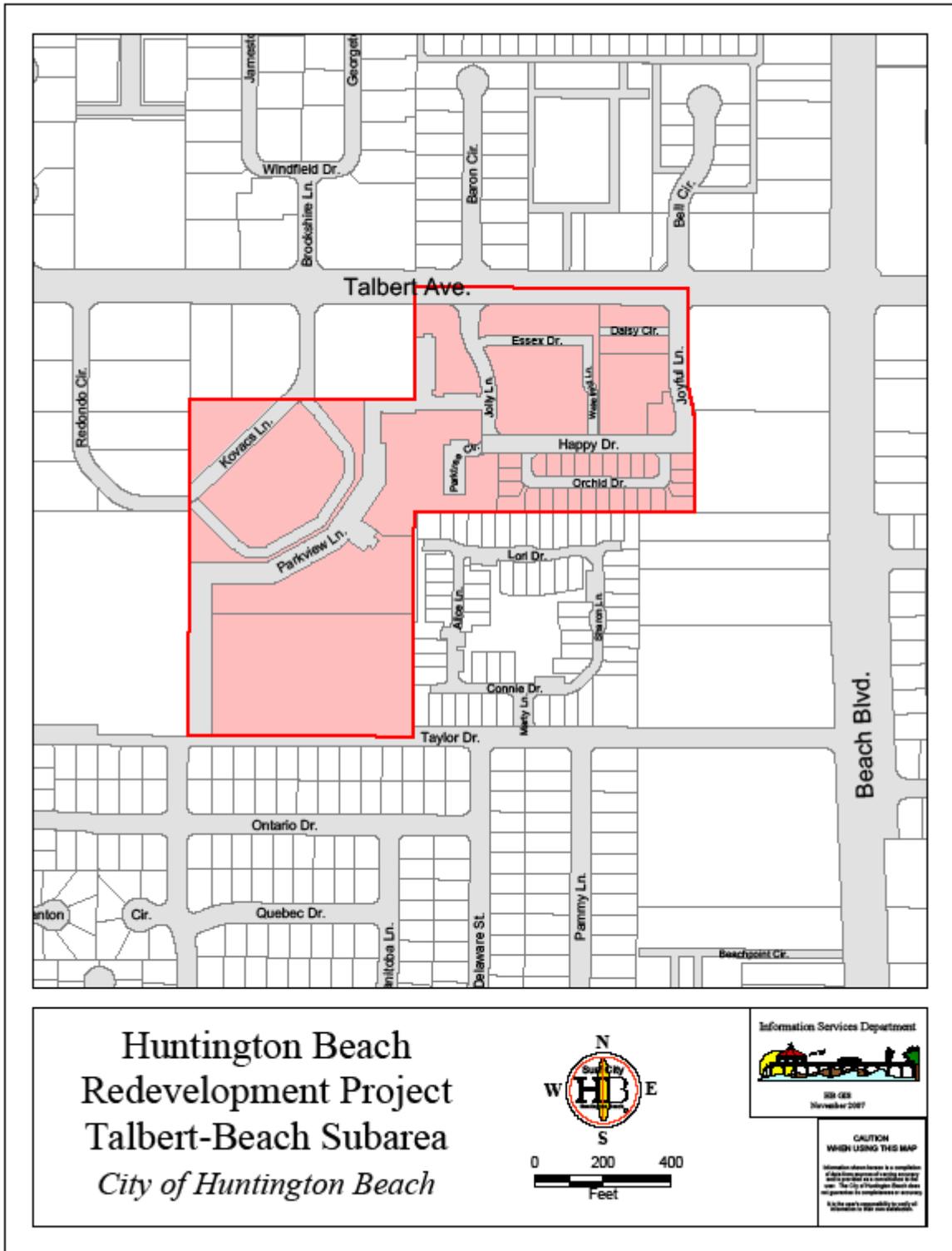


Exhibit C

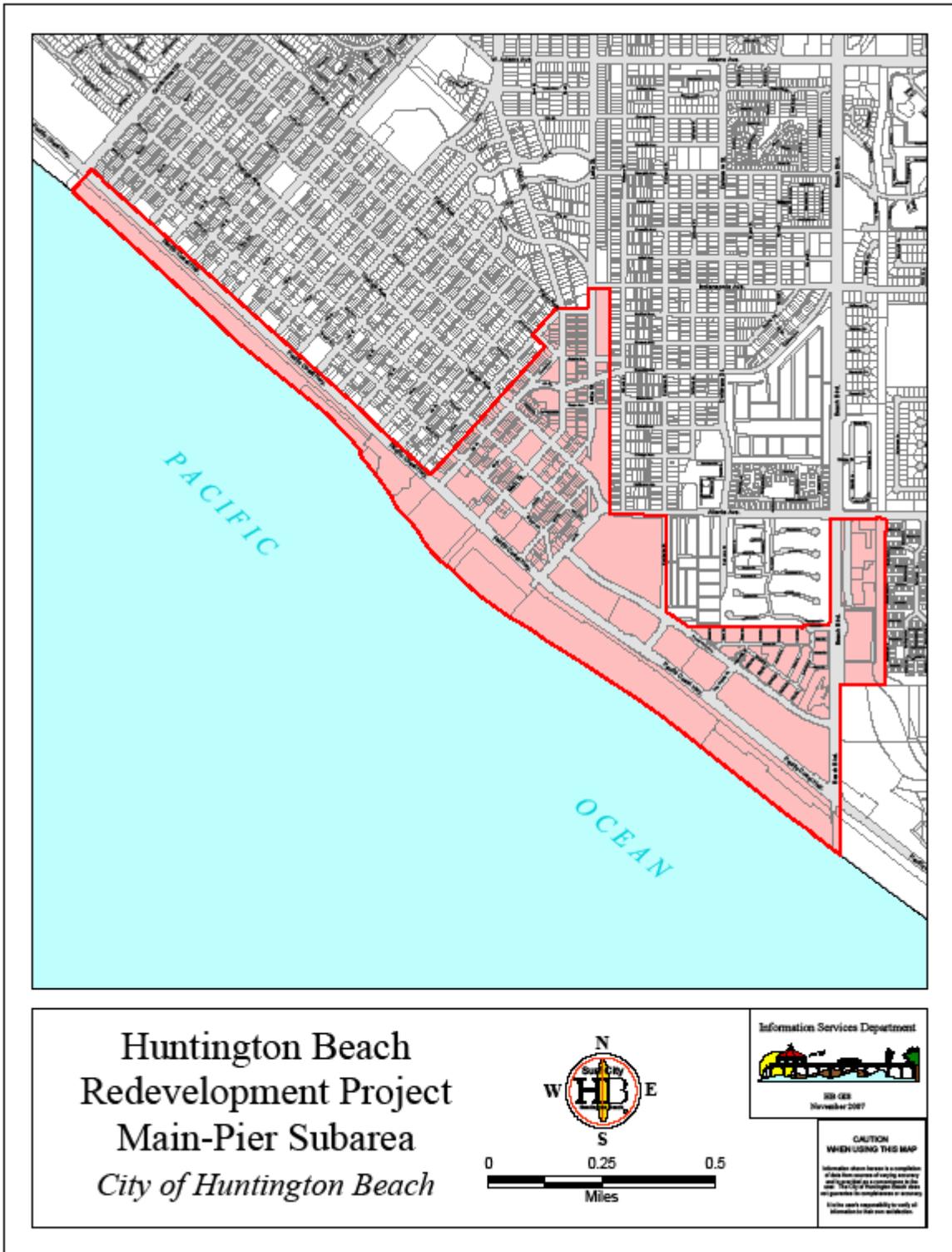


Exhibit D

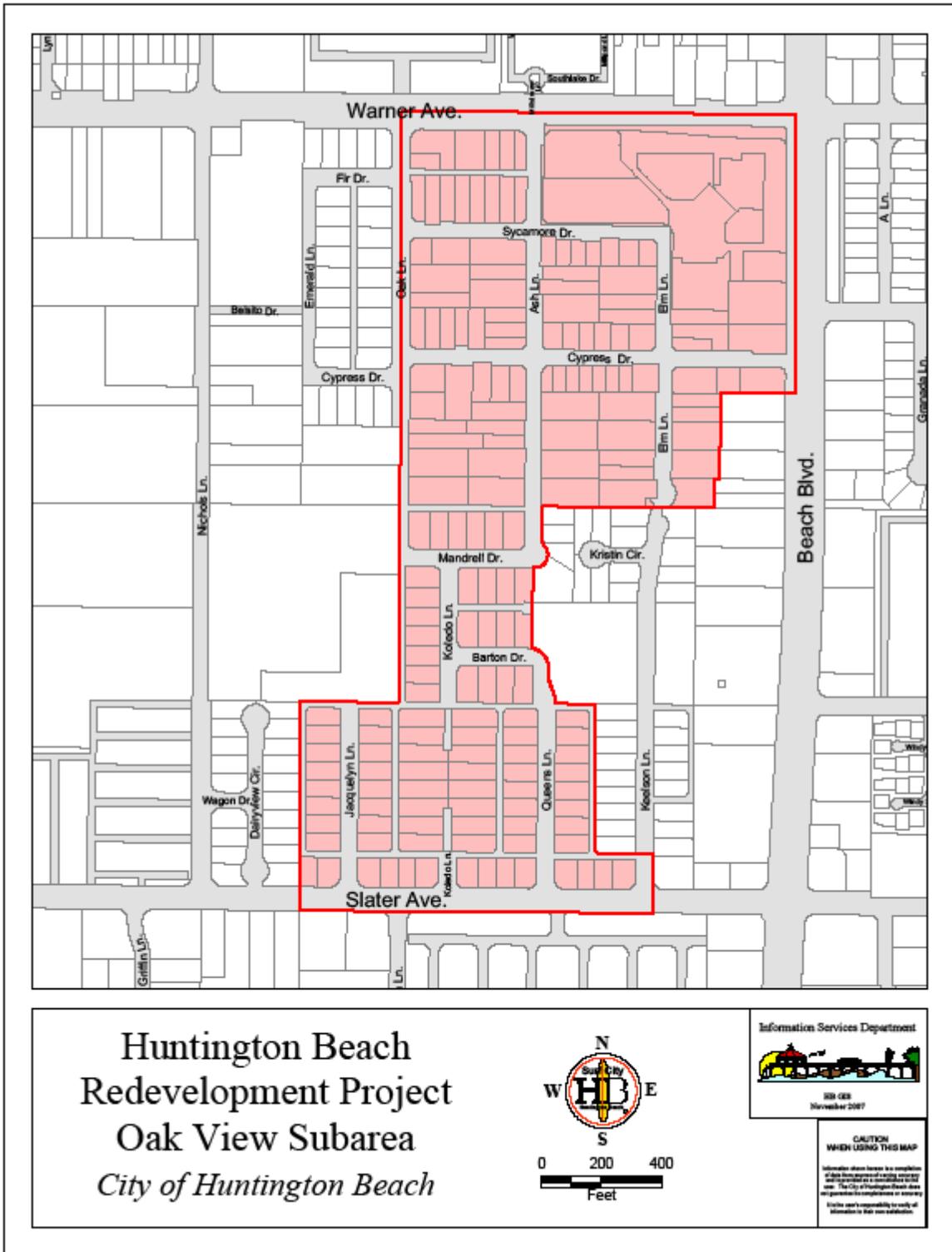
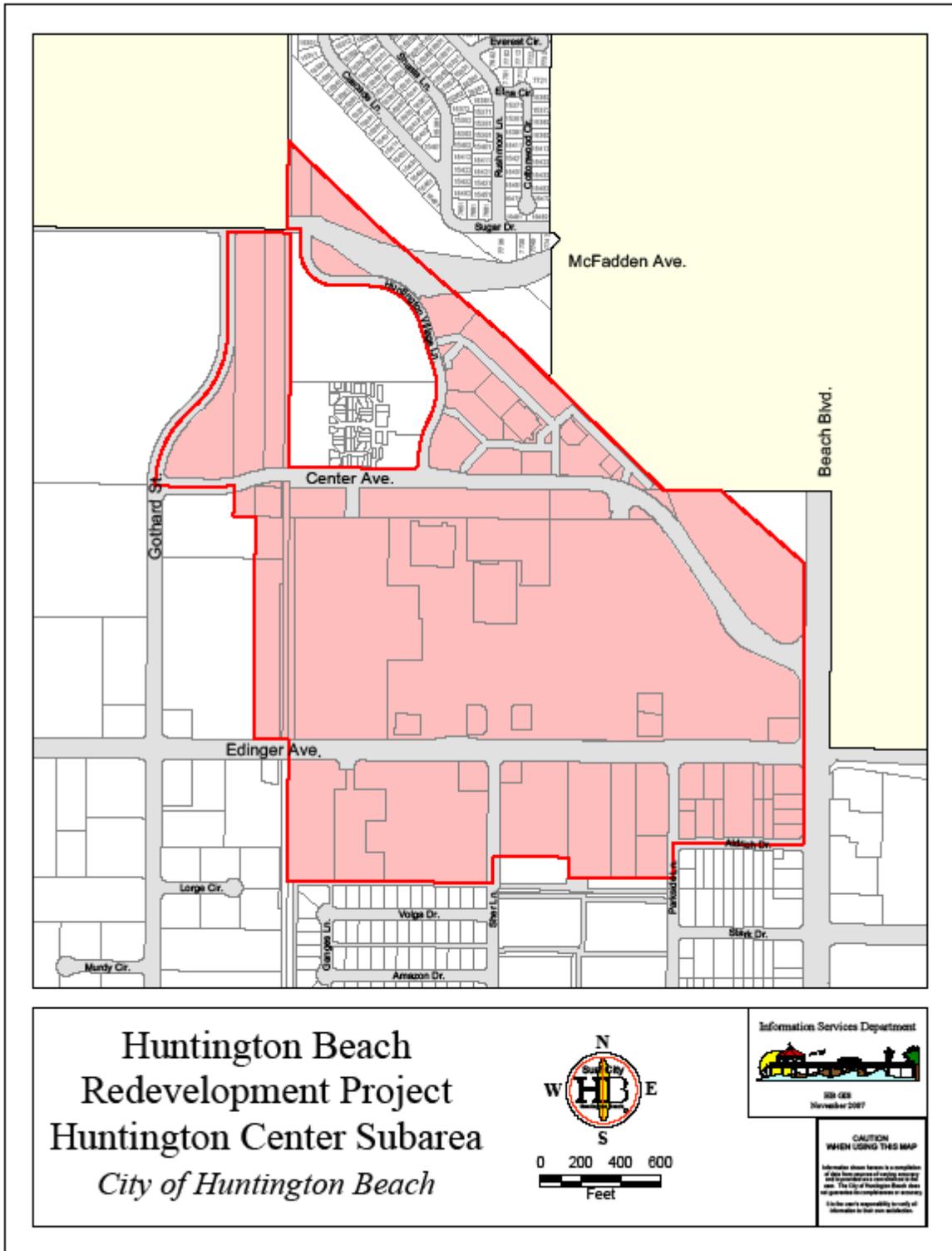


Exhibit E



## **MERGED PROJECT AREA BACKGROUND**

- In 1982 the Agency adopted four (4) separate redevelopment areas: Main-Pier, Talbert-Beach, Yorktown-Lake, and Oakview. The primary purpose of the redevelopment plans for these areas was to eliminate blight by encouraging revitalization activities within the project areas.
- In 1983 the redevelopment plan for the Main Pier Project was amended to expand the Main-Pier Project Area boundaries.
- In 1984 the Agency adopted the Huntington Center Redevelopment Area (Bella Terra Area).
- In December 1996, the Agency merged the five (5) previously-identified redevelopment project areas to form a single project area entitled the Huntington Beach Merged Redevelopment Project Area, which consists of 619 acres.

Subarea project summaries are provided below:

1. The 25-acre Talbert-Beach Subarea was adopted on September 20, 1982, by Ordinance No. 2577. At its adoption, this Subarea consisted of many encyclopedia lots, small undevelopable parcels under multiple ownerships. The area is now characterized by a balance of commercial, industrial and residential development.
2. The 30-acre Yorktown-Lake Subarea was adopted on September 20, 1982, by Ordinance No. 2576. This Subarea consists primarily of single family homes, an apartment complex for seniors and the City Hall.
3. The original 5-block Main-Pier Subarea was adopted on September 20, 1982 by Ordinance 2578. On September 6, 1983, the Redevelopment Plan was amended by Ordinance No. 2634, enlarging the Main-Pier Redevelopment Project Area to approximately 336 acres. The Subarea is located along a portion the City's beach and encompasses the downtown. It is characterized by a mix of residential, retail, office, hotel and public (i.e. Huntington Beach Pier, City Beach, Public Library, etc.) uses.
4. The 68-acre Oakview Subarea was adopted on November 1, 1982, by Ordinance No. 2582. This Subarea is predominantly developed with older multifamily housing occupied by lower income families of diverse ethnicity. Many properties are not up to building codes.
5. The 160-acre Huntington Center Subarea was adopted on November 26, 1984, by Ordinance No. 2743. It is comprised exclusively of commercial uses and contains the former Huntington Center Mall, which has been redeveloped into Bella Terra Mall, a regional lifestyle retail and entertainment center. An OCTA Transit Center is also located within this Project Area.

**SPECIFIC PROGRAMS AND PROJECTS DESIGNED TO ELIMINATE BLIGHT**

Since the inception of the Project Subareas, the Agency has aggressively sought to eliminate blight within the Project Area through the implementation of various projects and programs. The Implementation plan was created to eliminate physical and economic blight, expand the commercial base and job opportunities, improve infrastructure and improve the supply of housing. The Project Area's Redevelopment Plan identified 12 goals that would remediate blight in the Project Area once accomplished. The Agency has been active in remedying blighting conditions within the project area during the first two years of the Five Year Implementation Plan, as indicated in the detail provided for each of the Plan Goals.

**GOAL 1: Eliminate and Prevent the Spread of Conditions of Blight**

- The Agency completed the Beach/Edinger Corridor Specific Plan in March 2010 and an update to the Downtown Specific Plan in October 2011. As a result, several projects have begun or are scheduled to begin in the near future due to the favorable environment for development intended to eliminate or prevent further blight within and/or adjacent to the Project Area. These projects include Bella Terra Phase II, Edinger Plaza (Watt Commercial), The Boardwalk (former Levitz site), Decron (Beach and Warner), the Edinger Hotel site, Beach/Atlanta Center, and Pacific City, all more fully described under Goal 2 of this report.
- The California Legislature's approval of AB 1x26 and AB 1x27 in June 2011 and the Supreme Court-issued Stay brought to a standstill the Agency's efforts to expand the Project Area. At the time of this report, a decision is pending in the California Supreme Court as to the constitutionality of those actions, but until such a decision is made, California law prohibits an expansion that would further the Agency's efforts to expand the area as planned and had been in progress to include blighted commercial shopping centers to the Project Area.

**GOAL 2: Expand the Commercial Base of the Project Area**

- The Beach/Edinger Corridor Specific Plan and the update of the Downtown Specific Plan have been completed. The Beach/Edinger Plan has spurred development beyond the expectations of the City and the Agency, with the start of Bella Terra Phase II and Edinger Plaza, and the upcoming projects at The Boardwalk, Beach and Warner and Beach and Ellis, all of which will add increased square footage offering retail and commercial opportunities that will expand the commercial base of the project area.
- The Strand, a 3.97 acre site is situated along Pacific Coast Highway between 5th and 6th Streets, has been fully completed. It features a 157-room boutique hotel, The Shorebreak; 102,000 square feet of retail, restaurant and entertainment; 32,000 square feet of office space, currently occupied by Innocean Worldwide, an international advertising agency, which relocated to Huntington Beach specifically to occupy the prime office space at The Strand; and a 400-space subterranean, public parking garage offering both self-parking and valet service.

- The 12.5 acre site of the former Levitz Furniture Store will be developed by Sares-Regis Group as The Boardwalk. The project will be mixed use, containing 487 multi-family housing units, with a 9,000 square foot resident recreation area; 12,000 square feet of commercial space; a half-acre of public open space; .
- Watt Companies has begun the transformation of Edinger Plaza, including the addition of additional square footage for an existing retailer, and the addition of two new, major anchor sporting goods and apparel retailers, along with upgrades to the entire exterior, parking, signage and landscape. The project is estimated to be complete by the third quarter of 2012.
- Decron has proposed a Mixed Use Project located at the southwest corner of Beach Boulevard and Warner Avenue, which will include 279 residential units developed throughout the project site. Development also includes 31,200 square feet of additional retail space and 6,000 square feet of restaurant space on 9.4 acres. Some of the existing buildings will be demolished to accommodate the project. The project includes the construction of two new retail buildings at the corner of Warner Avenue and Beach Boulevard, new mixed-use buildings along both Warner and Beach and two new parking structures.
- Construction of Bella Terra Phase II has begun. This project includes the redevelopment of the abandoned Montgomery Wards and Mervyn's buildings and the development of a mixed use project including 156,000 square feet of retail (Costco Warehouse), commercial and 467 market rate and affordable housing units. The Project will improve pedestrian access to Bella Terra through improved public infrastructure in the western and northern portions of the Bella Terra site; create many job opportunities during construction and operation of the development; and increase sales tax and property tax revenue to the City and Agency.
- The Agency continues to work toward the ultimate completion of the Waterfront Project, with the development of the final Parcel C, currently a parking lot. A 5<sup>th</sup> Implementation Agreement was approved on May 16, 2011 that will add an expansion to the current Hilton Hotel, anticipated to comprise 250 rooms with a spa, fitness facility and lounge/bar for guests. An environmental assessment is underway and an entitlement review will occur in 2012, along with the securing of project financing.
- The Agency is working with Crescent Heights, the new owners of the 31-acre parcel entitled for the construction of Pacific City, which will include retail, hotel, entertainment, office, restaurants, public areas and residential at both market and affordable levels.
- The City abandoned the frontage road bordering the shopping center at Beach/Atlanta in an effort to maximize development opportunities. The property owner has commenced an exterior rehabilitation and is transforming an

underperforming center on a major commercial thoroughfare by making it more visually appealing and attracting quality retail and restaurant tenants to expand the commercial base of the project area.

- The Agency completed the acquisition of the 18,000 square foot site located at 7872 Edinger to combine with the adjacent owned properties and prepared a Request for Proposals for the development of a hotel at the southeast corner of Edinger Avenue and Parkside Lane with the hope of achieving a high-quality, nationally-branded hotel consisting of 120-150 rooms with amenities that would make the hotel an attractive lodging option.
- The Agency will continue to engage with the existing business community to provide resources to allow them to expand and/or upgrade their business. The Agency strongly believes in supporting the existing commercial, service and retail businesses as part of the unique retail environment that is not only attractive to residents and visitors to the City.

**GOAL 3: Improve Public Facilities and Public Infrastructure**

- The Agency finalized the seismic retrofit and refurbishing of City Hall, including the provision of more efficient light and improvements to heating, ventilation and air conditioning systems.
- Construction of a \$2.5 million parallel storm drain at the intersection of Slater and Parkside was funded by the Agency. The project addresses capacity issues within the existing drainage system that serves the Oakview Subarea.
- Monitoring and review is ongoing with regard to parking in the downtown area as facilitated by the completion of the Downtown Parking Master Plan. The Strand Parking Garage has been completed, adding an additional 400 spaces in the downtown.
- Construction of concrete, asphalt and other public improvements in the Oakview neighborhood has been completed with further improvements planned.
- Construction of concrete alleys in the Main-Pier Subarea within the downtown has been completed.
- Building improvements to meet ADA standards were completed at the Huntington Beach Art Center and fire stations.
- Elevator upgrades and the installation of security cameras in the Main-Promenade Parking Structure were completed.
- Progress is ongoing in the undergrounding of utilities along Pacific Coast Highway in conjunction with Southern California Edison (SCE), CalTrans, and California State Beaches Department.

**GOAL 4: Improve inadequate drainage infrastructure.**

- Construction of a \$2.5 million parallel storm drain at the intersection of Slater and parkside was funded and completed by the Agency. The project addresses capacity issues within the existing drainage system that serves the Oakview Subarea.

**GOAL 5: Improve and/or provide electric, gas, telephone and wastewater infrastructure to both developed and undeveloped properties within the Project Area.**

- The undergrounding of utilities along Pacific Coast Highway in conjunction with Southern California Edison, CalTrans and the California State Beaches Department is ongoing. Agency staff is actively involved in the monitoring of this project and informing developers within the Main-Pier Subarea of positive upgrades to utilities for the area.
- The completion of the parallel storm drain at the intersection of Slater and Parkside has improved service to the residents and businesses of the Oakview Subarea.
- The approval of the Beach/Edinger Corridor Study and Downtown Specific Plan define requirements for the improvement of infrastructure within the Project Area, ensuring that new development projects provide improved infrastructure to the Project Area wherever necessary.

**GOAL 6: Promote local job opportunities.**

- Completion of The Strand project has resulted in a minimum of 100 new job opportunities within the Project Area. In addition, the projects occurring as a result of the completed Beach/Edinger Corridor Specific Plan will result in a minimum of 350 jobs, with the first 200 in the new Costco Warehouse, as part of the Bella Terra II project.

**GOAL 7: Encourage the cooperation and participation of residents, businesses, businesspersons, public agencies, and community organizations in the redevelopment/revitalization of the Project Area.**

- Implementation of the recommendations made by the community members of the Downtown Image Ad Hoc Committee began in 2010. Those implemented include: increased fines for entertainment permit violations; new, more resident-friendly conditions placed on the issuance of new entertainment permits and those proposing to serve alcohol; increased police presence in the downtown core; reduced bar operating hours; and approval of residential preferential parking zones. Each of these actions came as a result of the participation of the community in cooperation with the City to make the downtown area a better place in which to live, work and visit.

- Study findings on both the Beach/Edinger Corridor Specific Plan and Downtown Specific Plan were presented at public meetings prior to being approved by the City Council. The Downtown Specific Plan was also presented to the California Coastal Commission at public meetings. Many residents and business owners from the downtown came to the meeting to indicate to their opinions on the plan to the Commission.
- The Agency sponsors and plans the annual Economic Development Conference which represents an opportunity to share current news on the programs and developments occurring throughout the project area, as well as those planned for the future.
- The Agency facilitated the approval and opening of the first Farmers Market in the Oakview Area in 2011. The weekly Oakview Mercado sells fresh produce and also provides free health education as well as dental and medical screenings to the public.
- Two new programs encouraging transportation to the downtown were offered during summer months beginning in summer 2010 and continued into 2011. The Surf City Downtown Shuttle provided free rides on weekends and holidays from the free parking lot at City Hall into the downtown, and the Surf City Bike Valet program served patrons on Tuesday evenings and weekends, offering a free alternative for bicycle parking.
- Surf City Nights, the Tuesday evening downtown street fair, continues to draw thousands to Main Street each week. During the summer months in 2010 and 2011, bike valet service was implemented during summer months to encourage alternative transportation to the downtown during peak times. The Surf City Downtown Shuttle began Tuesday evening service in Summer 2011 as well.
- Efforts to further study and expand the Project Area to include commercial parcels, including shopping centers and strip malls throughout the city to address physical and economic blighting conditions, has been discontinued pending the opinion of the California Supreme Court on the constitutionality of AB 1x26 and AB 1x27. The signing of these bills into law effectually dismantled the prior structure of local control of Project Areas and placed the Agency into a “pay or play” position, requiring an initial payment of nearly \$7 million from the Agency’s tax increment to the State of California in order to remain a legal Agency, and limiting any action to expand the Project Area. The efforts to complete the Plan Amendment would have included substantial public outreach activities.

**GOAL 8: Implement design and use standards to assure high aesthetic and environmental quality, and provide unity and integrity to developments within the Project Area.**

- Both the Beach/Edinger Corridor Specific Plan, and the Downtown Specific Plan, adopted in 2010 and 2011, respectively, went through a rigorous community

planning process and resulted in outstanding design and use standards which will meet and/or exceed this goal with future developments. The Strand is representative of the types of projects that meet this goal, as are the projects currently underway within, or adjacent to, the Project Area.

**GOAL 9: Address parcels of property that are of irregular form and shape, are inadequately sized for property usefulness and development, and/or are held in multiple ownership.**

- The adoption of the Beach/Edinger Plan and the Downtown Specific Plan have accounted for changes in zoning and the use of irregular parcels to further eliminate the spread of blight within the Project Area.
- The Agency continues to assist nonprofit and for-profit entities to acquire parcels of irregular shape and size whose usefulness is not being realized primarily in the Oakview Area.
- The purchase of the parcel at 7872 Edinger Boulevard, on which currently sits a Big-O Tire store, has created a larger, contiguous lot that can now be developed, as opposed to the prior conditions of irregularity that occurred due to both form and multiple ownerships.
- The discontinuation of the Redevelopment Project Area Plan Amendment has limited the Agency's further attempts to encourage consolidation of inadequately sized properties and those held in multiple ownership using Redevelopment Agency resources.

**GOAL 10: Remove impediments to land disposition and development through the assembly of property into reasonably-sized and shaped parcels served by improved infrastructure and public facilities.**

- Although the Agency was able to complete the acquisition of the Edinger parcel prior to the approval of AB1x 26 and AB 1x 27, current California law prohibits the Agency from entering into agreements to acquire property that would help to achieve this goal until such time as the California Supreme Court issues its ruling.

**GOAL 11: Recycle and/or develop underutilized parcels to accommodate higher and better economic uses while enhancing the City's financial resources.**

- The formerly vacant and underutilized parcels along Edinger Avenue are producing projects that will expand the commercial base of the area to provide for better and more modern uses, which will ultimately produce additional sales taxes and tax increment to be invested within the Project Area.
- The Redevelopment Project Area Amendment, which has been discontinued as further described in previously-identified goals, was to include underutilized parcels

along Beach Boulevard and along other thoroughfares throughout the City. Approval of the Plan Amendment would have resulted in opportunities to achieve higher and better uses in many shopping centers, which would have assisted in expanding the City's and the Agency's financial resources.

**GOAL 12: Develop housing opportunities for all income levels.**

- Development of housing opportunities is discussed in the Housing Strategy 2010-2014 adopted on December 21, 2009, for which a mid-term report will be provided in Fall 2012.

**AGENCY FINANCIAL STATUS REPORT**

The Agency presented in the Implementation Plan a preliminary five-year budget for the Redevelopment (non-housing) fund. The Agency adopts its budget on an annual basis; as such actual revenues and expenditures may differ from those forecasts presented in the Implementation Plan and are therefore subject to change, most particularly as a result of the pending decision of the California Supreme Court on the future operation and existence of Redevelopment Agencies. Projections of revenues and expenditures contained within this Implementation Plan were based upon the assumptions delineated below:

**Cash Flow General Assumptions**

1. Until such time as California law mandates otherwise, resources available to the Agency include net tax increment revenues, Agency identified miscellaneous revenues and interest income.
2. Current Debt Service Obligations – includes the annual debt service for the 1999 and 2002 Tax Allocation Bonds, as well as participation obligations and loan repayments from Agency-identified project activities.
3. Administration and Other Requirements – Administrative costs and other expenditures related to Agency operations were, and continue to be, based upon current operational expenses. As a result of losses anticipated to the Agency's revenue, five (5) FTE Agency employee positions were eliminated in the 2011-2012 Agency budget.
4. State Budget Take Away - Assembly Bills AB 1x26 and AB 1x27 were signed into law on June 28, 2011. AB 1x26 eliminated Redevelopment Agency operations statewide, and AB 1x27 enabled Agency survival through a "pay or play" scenario that will result in a \$6.2 million payment to the State of California in January 2012, with a further payment of approximately \$1.5 million in 2013. A case was filed by the California Redevelopment Association, and was heard in the California Supreme Court on November 10, 2011. The Court has up to 90 days to issue its ruling, but until such time as the ruling is issued, the Agency must assume these payments will take place.
5. City General Fund Repayment – The Agency adopted a statement of Enforceable Payment Obligations to protect the annual repayment to the City General Fund as part of the Agency's efforts to continue operating under the requirements of AB 1x27. The Agency assumes that the outstanding indebtedness to the City General Fund will be repaid annually with a repayment schedule that increases approximately 2% annually.

6. Discretionary Expenditures - To the extent future tax increment revenue resources continue to be allocated to the Agency and to the extent allowable under the laws of the State of California, and exceed existing and allowable payments for debt service and contractual obligations under AB 1x27, projects and administrative costs, the cash flow projection assumes that the Agency will exercise its discretion in funding other future projects, programs or activities of benefit to the Merged Project Area through FY 2013-14.

## **ADMINISTRATION OF THE IMPLEMENTATION PLAN**

As detailed in the introduction of this Midterm Review, the Agency is required to produce an Implementation Plan every five years. After adoption of the first Implementation Plan, a new plan is to be adopted every five years wither in conjunction with the housing element cycle or the implementation plan cycle.

### **Implementation Plan Adoption**

Each Implementation Plan must be presented and adopted at a duly noticed public hearing of the Agency. The Implementation Plan for the Project Area was adopted at the City Council/Redevelopment Agency meeting of December 21, 2009. The Agency may amend the Implementation Plan at any time after conducting a public hearing on the proposed amendment.

### **Mid-Term Implementation Plan Review Process**

At least once within the five-year term of the Implementation Plan, the Agency must conduct a public hearing and allow testimony from all interested parties for the purpose of reviewing the Plan, and the corresponding implementation for each redevelopment project. This hearing must take place no earlier than two years and no later than three years after the adoption of the Implementation Plan.