



SAN DIEGO
HOUSING
COMMISSION

REPORT TO THE CITY COUNCIL

DATE ISSUED: April 7, 2015

REPORT NO: CCR15-002

ATTENTION: Council President and Members of the San Diego City Council
For the Agenda of June 9, 2015

SUBJECT: Proposed Fiscal Year 2016 Affordable Housing Fund Annual Plan

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

That the San Diego City Council approve the proposed Fiscal Year 2016 Affordable Housing Fund Annual Plan as presented in this report. In addition, that the San Diego City Council give direction to the City Attorney to draft ordinance amendments to the San Diego Housing Trust Fund Regulations (Chapter 9, Article 8, Division 5 of the San Diego Municipal Code).

STAFF RECOMMENDATION

That the San Diego City Council (City Council) take the following actions:

- 1) Approve the Proposed Fiscal Year (FY) 2016 Affordable Housing Fund (AHF) Annual Plan (Annual Plan) Program Activity Allocation of \$33,082,445 in anticipated funds (also included in the FY 2016 Housing Commission Proposed Budget) and the proposed Model Programs;
- 2) Authorize the President & Chief Executive Officer (President & CEO), or designee, to reallocate funds among the proposed Model Programs included in the FY 2016 Annual Plan in response to market demands and opportunities; and
- 3) Give direction to the City Attorney to work with the Housing Commission President & CEO and Housing Commission General Counsel to draft ordinance amendments that improve the operation, efficiency and administration of the Affordable Housing Fund, as directed by City Council. The specific areas of proposed changes are referenced within Attachment 5 to this report.

SUMMARY

On June 3, 2003, the City Council amended San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code) to create an Affordable Housing Fund. It was created to meet, in part, the housing needs of the City of San Diego's (City) very low-, low-, and median-income households and has two permanent, annually renewable funding sources:

1. Inclusionary Housing Fund (IHF), which is funded with fees charged on residential developments; and
2. Housing Trust Fund (HTF), which is funded by Housing Impact Fees charged on commercial developments (also known as Linkage Fees). This fund previously had additional sources of

revenue, but is now limited to the Housing Impact Fees and loan repayments. Loan repayments (from all HTF sources) are recycled back into the HTF.

The Code requires the Housing Commission to adopt an Annual Plan for the use of the AHF revenues and prescribes parameters for the distribution of those projected revenues. The Annual Plan is to be presented to City Council for approval by June 30 of each year and must include a description of all proposed programs to be funded, intended beneficiaries and the allocation of anticipated funds.

Staff has proposed the FY 2016 allocations in accordance with estimated available resources and previously approved policy objectives. All proposed allocations are estimates. Attachment 1 details the FY 2016 projected revenue and fund balances and provides descriptions of HTF revenue sources. Attachment 2 shows the proposed allocation of funds by activity, as well as production estimates. Actual allocations will depend on the timing of project applications, funding commitments and expenditure deadlines of other available funding sources. Attachment 3 shows approved and pending projects using Affordable Housing Funds.

The proposed Annual Plan (Attachment 4) describes the purpose and intent of the AHF, restrictions on the uses of the two sources of funds, fund allocations and production. It also describes FY 2016 Model Programs. Each year the Model Programs are reviewed and updated in response to community needs and past performance. Only active programs are included in the Model Programs list.

Proposed Changes in the Model Programs

Staff is recommending the following changes and clarifications to the Model Programs:

1. Revise the Down Payment/Closing Cost Assistance Program reducing the maximum closing cost assistance to 4 percent from 6 percent due to reductions in funding for this activity.
2. Remove the Lead Remediation and Healthy Homes Programs. This program is recommended for removal due to the reallocation of resources to other activities.
3. Remove the Flexible Rehousing Program due to program inactivity.
4. Allow for-profit developers to participate in the Technical Assistance Program. This change will promote increasing the capacity to develop affordable housing.
5. Remove the Targets of Opportunity Program due to program inactivity.

Proposed Changes to the HTF Ordinance

During the FY 2015 Affordable Housing Fund Annual Plan process, staff was directed by the City Council to recommend revisions to the Code to increase the effectiveness of the Code and to remove unintended obstacles created by the existing Code. Staff is seeking direction from City Council to the City Attorney to draft proposed changes to the Code for City Council consideration. Proposed changes will include clarifications regarding loan repayments, program activities, and priority projects; adding more flexibility for fund investments based on market demands and available funding; and administrative changes. The specific areas of the proposed changes are referenced within Attachment 5 to this report.

AFFORDABLE HOUSING IMPACT

Should all anticipated FY 2016 funds be collected and allocated as proposed, the estimated affordable housing production would be: 1) Gap financing for approximately 332 rental units created for very low-income households; 2) 19-24 low- to median -income homebuyers assisted; and 3) 810 transitional housing beds for very low-income, formerly homeless individuals and families.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the proposed FY 2016 Housing Commission budget. Approving this action will not change the FY 2016 total budget, but will allocate funding sources among uses as shown in the table below:

Program	Budget	Production
Rental Housing Finance – gap financing Affordable Rental Housing Production	\$28,864,546	332 units
Homeownership Deferred Payment Loans; Closing Cost Assistance Grants	\$1,000,000	19-24 units
Transitional Housing	\$1,340,602	810 transitional housing beds
Capacity Building Capacity Building Grants	\$50,000	2-4 projects
Administration	\$1,736,797	Personnel, overhead, MOU expense
Administration - Legal	\$90,500	
Fund Balances To be determined.	\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval processes.
TOTAL	\$33,082,445	

PREVIOUS COUNCIL and/or COMMITTEE ACTION

City Council has adopted an Annual Plan each year in accordance with the Code.

The City Council voted 8-1 on November 10, 2014, to adopt amendments to the Housing Impact Fee Ordinance (San Diego Municipal Code Section 98.0601, et. seq.) to create additional affordable housing.

The amendments, introduced to the City Council on October 21, 2014, reflect a compromise proposal presented by Councilmember Myrtle Cole regarding the Housing Impact Fee Ordinance. A Memorandum of Understanding negotiated by the Housing Commission and the Jobs Coalition became the foundation of the compromise proposal.

As drafted by the City Attorney, in accordance with prior direction from the City Council, the amendments include the following elements:

- Phase in a 100 percent increase in the Housing Impact Fees over a period of three years, beginning on January 1, 2015, which will, at the end of three years, bring the Housing Impact Fees back to their 1990 levels, before they were cut in half in 1996;
- The phased-in Housing Impact Fee adjustment will not sunset;
- Exempt manufacturing, warehouse and nonprofit hospitals from the Housing Impact Fees, for the purposes of economic development;

- There will be no phased-in Housing Impact Fee adjustments for research and development construction; the fees for research and development will remain at the current 1996 fee levels, for the purposes of economic development; and
- Eliminate the current San Diego Municipal Code (Municipal Code) requirement for an annual recommendation to the City Council for Housing Impact Fees updates based on a construction cost index.

This item was approved at the April 10, 2015, Housing Commission meeting.

This item was heard by the City Council's Smart Growth & Land Use Committee on May 13, 2015, with a recommendation for approval of the Proposed Fiscal Year 2016 Housing Commission Budget with direction to the City Attorney's Office to work with the Housing Commission's General Counsel to draft amendments to the Municipal Code for the administration of future funds.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Housing Commission staff attended community group meetings for Scripps Ranch, Downtown, and Tierrasanta communities. Staff gave a brief overview of the AHF and proposed changes to the Model Programs, and informed the public that written comments could be submitted through April 7, 2015. No written comments were received during the public comment period.

KEY STAKEHOLDERS and PROJECTED IMPACTS

The beneficiaries of AHF programs are extremely low- to median-income households in the City. Residential developers, nonprofit housing providers and financial institutions may also be impacted by program changes. In accordance with the Code, a detailed report on FY 2016 AHF projected impacts will be provided to City Council by September 30, 2016. (FY 2015 AHF impacts will be reported by September 30, 2015.)

ENVIRONMENTAL REVIEW

Approval of the FY 2016 Housing Commission AHF Annual Plan is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Approval of the Annual Plan is also exempt under the National Environmental Policy Act pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

Tina Kessler

Tina Kessler
Senior Program Analyst
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

- 2) Proposed Allocation of FY 2016 AHF – Activity Detail
- 3) Summary of Approved and Pending Project Commitments
- 4) San Diego Affordable Housing Fund Annual Plan Fiscal Year 2016 and Model Programs
- 5) Summary of Proposed Ordinance Changes

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

Projected Funding Sources
FY 2016 Affordable Housing Fund Annual Plan

The Housing Trust Fund (HTF)

- Housing Impact Fee
- Loan Repayments (HTF, CDBG HTF, Housing Rehabilitation HTF, Redevelopment, TOT)
- State of California Housing Trust Fund (LHTFP)

The Inclusionary Housing Fund

- Affordable Housing Fees (Residential Development)

Fund	Projected Fund Balances	Projected FY16 New Funding	Total FY16 Funds
HTF - Housing Impact Funds	\$3,191,023	\$2,385,000	\$5,576,023
HTF - "CDBG" fund (interest, Rehabilitation loan repayments)	\$0	\$0	\$0
HTF - Program Funds (interest, loan repayments)	\$753,225	\$118,165	\$871,390
HTF - State of California Housing Trust Fund (new grant award)	\$0	\$1,000,000	\$1,000,000
Inclusionary Housing Fund - Inclusionary Affordable Housing Fees	\$21,519,552	\$4,115,480	\$25,635,032
TOTAL, ALL FUNDS	\$25,463,800	\$7,618,645	\$33,082,445

Description of HTF Funds:

Housing Impact Funds: Sole source of new HTF funds: Commercial Impact Fees.

LHTFP: Initial source was a State match grant, which has been expended. New grant awarded and included in FY16 funding. Fund balance consists of loan repayments and interest.

CDBG HTF: Repayments of CDBG-funded affordable housing loans were permitted to be allocated to the HTF for Rehabilitation activity. Repayments of loans are recycled into the HTF for Rehabilitation activity.

HTF Program Funds: Rehabilitation loan repayments that were recycled into the HTF.

Redevelopment: The HTF received Redevelopment funds in FY93 and FY95. (See TOT below.) Repayment of loans are recycled into the HTF for rental housing finance.

TOT: At its 1990 inception the HTF was to receive a portion of future TOT increases.

TOT funding ceased in 1992 and was replaced with Redevelopment funds in FY93.

Repayments of loans are recycled into the HTF.

Proposed Allocation of FY2016 AHF - Activity Detail

Program/Activity/Funding Source*	Fund Amounts	Estimated Production	Household AMIs served
Rental Housing Finance <i>Affordable Rental Housing Production</i> Inclusionary HTF Housing Impact Fee Cal State Housing Trust Fund Program Funds <i>Capacity Building Grants</i> HTF Housing Impact Fee TOTAL **	 \$22,570,920 \$4,422,236 \$1,000,000 \$871,390 \$50,000 \$28,914,546	Gap financing for 332 Rental Housing units. 2 - 4 Grants	Inclusionary-funded units are 65% AMI or lower. AHF-funded units are typically 50% AMI or lower.
Homeownership <i>Deferred Payment loans;</i> <i>Closing Cost Assistance grants</i> Inclusionary	\$1,000,000	19-24 units	Serves AMIs up to 80% and up to 100%, subject to the model programs
Housing Innovations <i>Transitional Housing grants</i> HTF Housing Impact Fee Inclusionary TOTAL	 \$670,301 \$670,301 \$1,340,602	810 transitional housing beds for Cortez Hill and 10 other programs.	On average participants are extremely low to low income.
Administration Inclusionary HTF Housing Impact Fee Program Funds	\$1,290,181 \$433,487 <u>\$13,129</u> \$1,736,797	Personnel, overhead, & MOU expense	
Administration - Legal Inclusionary HTF Housing Impact Fee	\$85,000 <u>\$5,500</u> \$90,500		
Fund Balances	\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval process.	
TOTAL	\$33,082,445		

*See Projected Funding Source List for details.

** See summary of Approved and Pending Project Commitments.

Summary of Approved and Pending Project Commitments

Project	FY16 Budget Housing Impact Fees	FY16 Budget Inclusionary Fees	FY16 Budget Cal State Hsg Trust Fund	FY16 Budget Program Funds
Atmosphere		\$ 700,000.00		
COMM 22 Family		\$ 167,072.00		
Hotel Churchill	\$ 880,000.00	\$ 1,600,156.00		
Independence Pointe (WJJ)	\$ 300,000.00			
VVSD Phase 5	\$ 10,000.00			
Mission Gorge		\$ 7,600,000.00		
Trolley Residential		\$ 1,120,000.00		
14th & Imperial		\$ 600,000.00	\$ 500,000.00	
Unidentified Permanent Supportive Housing Projects	\$ 2,561,935.00	\$ 11,453,993.00	\$ 500,000.00	\$ 871,390.00
Sub-Total	\$ 3,751,935.00	\$ 23,241,221.00	\$ 1,000,000.00	\$ 871,390.00
TOTAL	\$28,864,546.00			



**SAN DIEGO
HOUSING
COMMISSION**

Attachment 4

San Diego Affordable Housing Fund Annual Plan



**COMM22 Family Housing
2225 and 2325 Commercial Street – Logan Heights
\$500,000 Inclusionary Housing Funds**

**Fiscal Year 2016
(July 1, 2015 – June 30, 2016)**

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SAN DIEGO AFFORDABLE HOUSING FUND

Introduction

The San Diego Affordable Housing Fund (AHF) was created by the San Diego City Council (City Council) on June 3, 2003, as a permanent and annually renewable source of revenue to help meet the housing needs of the City of San Diego's (City) lower-income households. The City Council expressed the purposes of the AHF in San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code):

- Meet a portion of the need for housing that is affordable to households with very low, low, and median incomes;
- Leverage every \$1 of City funds with \$2 of non-City subsidy capital funds;
- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF-assisted projects and dispersing affordable housing projects throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.

The AHF Annual Plan (Annual Plan) implements the City Council's intent by adopting an overall strategy for use of the AHF. Development of the Annual Plan is guided by the San Diego Housing Commission's (SDHC) annual budget process.

The Annual Plan provides revenue forecasts, a suggested Fiscal Year (FY) 2016 fund allocation, and production estimates. Proposed fund allocation takes into consideration policy parameters set by the Code, availability and requirements of other affordable housing funding sources, and the goals and objectives set forth in SDHC's FY 2016 Budget.

The FY 2016 Annual Plan also includes a description of SDHC's Model Programs.

Use

The AHF is composed of two funds: the Housing Trust Fund (HTF) and the Inclusionary Housing Fund (IHF).

The Housing Trust Fund:

Per Section 98.0504 of the Code, HTF funds may be used in any manner, through loans, grants or indirect assistance for the production and maintenance of assisted units and related facilities.

Inclusionary Housing Fund:

The expenditure of Inclusionary Housing Funds (IHF) is governed by Section 98.0505 of the Code. Priority is given to the construction of new affordable housing stock. Monies may also be used for other programs if approved by City Council in the Annual Plan. SDHC monitors the revenue collected from each Community Planning Area and is responsible for reinvesting the funds.

IHF also allows for funds to be expended on other programs administered by SDHC with City Council approval. Recognizing the significant need for affordable housing and the desire to provide housing opportunities as soon as possible, funds are invested citywide. SDHC will invest the funds as follows:

➤ Rental Housing Production

- New construction
- Acquisition and acquisition with rehabilitation
- Preservation of existing affordable rental housing

Rental units shall be affordable at or below 65 percent of San Diego Area Median Income (AMI) for a minimum of 55 years. Developers apply for funding via SDHC's Notice of Funding Availability (NOFA).

➤ Homeownership Opportunities

Financing programs to encourage and increase homeownership opportunities for low- to moderate-income households (at or below 100 percent of AMI). First-time homebuyers apply through participating lenders.

➤ Homeless Activities

Homeless Activities include funding for construction of permanent supportive housing units, capitalized operating reserves for permanent supportive housing developments, and transitional housing operation support grants. Funds may also be spent on activities to provide housing for homeless individuals, should SDHC receive direction to increase spending in this area, or opportunities arise for which other funds are unavailable.

FY 2016 AHF ANNUAL PLAN

Revenue Forecast

Approximately \$33 million is expected to be available in FY 2016, consisting of \$7.6 million in new revenue and loan repayments and \$25.4 million in estimated fund balances. New revenue includes HTF Housing Impact Fees (also known as Commercial Linkage Fees) and IHF Fees.

Fund Allocation and Production

Funding recommendations are made in accordance with established SDHC policies and require approval of specific projects and activities by the SDHC Board of Commissioners and/or the Housing Authority of the City of San Diego (Housing Authority). Some discretionary transfer of funds between eligible activities is permitted, but all funding recommendations must be consistent with the Annual Plan and SDHC's budget process.

The proposed allocation of AHF funds for FY2016 is as follows:

PROGRAM	BUDGET	PRODUCTION
Rental Housing Finance – gap financing Affordable Rental Housing Production	\$28,864,546	332 units
Homeownership Deferred Payment Loans; Closing Cost Assistance Grants	\$1,000,000	19-24 units
Transitional Housing	\$1,340,602	810 transitional housing beds
Capacity Building Capacity Building Grants	\$50,000	2 – 4 projects
Administration	\$1,736,797	Personnel, overhead, MOU expenses
Administration - Legal	\$90,500	
Fund Balances To be determined.	\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval processes.
TOTAL	\$33,082,445	

The AHF has invested more than \$90 million in San Diego communities, leading to the production of more than 8,000 affordable units and supporting an average of approximately 720 transitional housing beds per year since 1990, when the City’s Housing Trust Fund Ordinance was originally passed.

SDHC Model Programs Overview

Funding is allocated on an annual basis among the various activities authorized by the Code. Model Programs change from time to time; they are not intended to preclude investment in an opportunity that is not specifically described in the Model Programs section. The following is a general description of the possible investment activities planned for FY 2016. These activities are described more fully in the attached Model Programs.

Rental Housing Finance

Financing for developers of affordable multifamily housing units with below-market rents. This includes deferred loans, below-market interest rates, and matching funds for State, Federal, and private financing. SDHC Policy PO600.301 contains additional information regarding SDHC's financial participation in affordable rental housing development, including new construction or acquisition with rehabilitation.

Rental Housing Finance – Transit-Oriented Development (TOD)/Workforce Housing

A program similar to the Rental Housing Finance program, TOD/Workforce housing and affordable rental housing developments that meet certain geographical requirements will receive funding preference over other affordable rental housing developments.

Rental Housing Finance – SDHC Development

Gap financing for SDHC developments when additional funds are unavailable or local match funds are needed. Developments include new construction, acquisition, acquisition with rehabilitation, and preservation of existing affordable rental housing.

Permanent Supportive Rental Housing

Financing for developers of permanent affordable rental housing with related services that serve special resident populations, including those who are at risk of becoming homeless or need services related to physical or mental disabilities, chronic health problems (HIV/AIDS) or are recovering from substance abuse. This program includes deferred loans, below-market interest rates, revocable grants, and matching funds for State, Federal and private financing. SDHC Policy PO600.301 contains additional information regarding SDHC's financial participation in housing development.

Homeownership

Junior loan/grant programs targeted toward first-time homebuyers with the ultimate goal of neighborhood stabilization and revitalization.

Housing Initiatives Programs – Homeless Programs, Permanent Supportive Housing and Transitional Housing

The Housing Commission administers several programs that serve homeless San Diegans, ranging from emergency shelters, to operating support grants for transitional housing facilities, to providing subsidies via local rental assistance programs (such as the Sponsor-Based Housing Voucher program). The latter are designed to assist low-income residents achieve stability by providing innovative housing solutions.

Capacity Building

Technical assistance provided to increase developer capacity in producing affordable housing.

Administration

Funds to provide reasonable compensation to the City of San Diego and the Housing Commission for services related to the administration of the Affordable Housing Fund and associated housing programs.

Legal

Expenses to obtain legal services and prepare loan and grant agreements and related documents.

SAN DIEGO HOUSING COMMISSION

MODEL PROGRAMS

Legend: HTF: Housing Trust Fund
 INCL: Inclusionary Housing Fund
 HOME: HOME Investment Partnerships Program (HUD)

- Represents eligible funding sources for each activity

RENTAL HOUSING PRODUCTION					
Rental Housing Finance – 100% Affordable Projects		HTF	INCL	HOME	OTHER
Scope	Below-market interest rate, residual payment subordinate loan program to increase the supply of affordable rental units in the City of San Diego, to include new construction, acquisition, and acquisition with rehabilitation. Funds may also be used for the preservation of existing affordable units facing expiration of rent restrictions within 0 – 5 years. Loans to developments with 100 percent of the units affordable to households at or below 60 percent of San Diego Area Median Income (AMI) (manager units excluded). Preference will be given to projects that meet at least one of the following criteria: affordable to households at or below 50 percent AMI; qualified as Transit-Oriented Development (TOD)/workforce housing; located within ¼ mile of a San Diego Association of Governments (SANDAG)designated “employment center;” located in a census tract with low-income concentrations of less than 41 percent; or located north of Interstate 8; or with at least 15percent of the units designated as permanent supportive housing (see <i>Permanent Supportive Rental Housing Finance</i> model program below).	●	●	●	● S t a t e
Target Population	Extremely low-, very low- and low-income households.				
Loan Terms	Maximum term to maturity is 55 years. Repayment of principal and interest is amortized, due and payable as a balloon payment; or as residual receipts, due and payable at maturity or upon property sale or refinance. Loan may be originated as a construction loan and converted into long-term financing.				
Loan Underwriting	Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Application Method	Funds for program to be made available through Request for Proposal (RFP) or Notice of Funding Availability (NOFA). RFP/NOFA requires applicant to stipulate the rent schedule for the project.				

Transit-Oriented Development (TOD)/Workforce Housing – Mixed-Income Projects		HTF	INCL	HOME	OTHER
Scope	<p>Below-market interest rate, deferred payment junior mortgage loan program to increase the supply of affordable rental units in the City of San Diego, to include new construction, acquisition and acquisition with rehabilitation. Loans to developments wherein at least 20 percent of the units are affordable to households at or below 50 percent of AMI (manager units excluded).</p> <p>Projects must meet at least one of the following criteria: qualified as TOD or workforce housing; located within ¼ mile of a SANDAG designated “employment center;” located in a census tract with low-income concentrations of less than 41 percent; or located north of Interstate 8.</p>	●	●	●	●
Target Population	Extremely low-, very low- and low-income households.				S t a t e
Loan Terms	Maximum term to maturity is 55 years. Repayment of principal and interest is amortized, due and payable at maturity. Loan may be originated as a construction loan and converted into long-term financing.				
Loan Underwriting	<p>Subject to loan policies of SDHC unless specific exception as authorized by SDHC.</p> <p>Funds for program to be made available through RFP or NOFA. RFP/NOFA requires applicant to stipulate the rent schedule for the project.</p>				
Rental Housing Finance – SDHC Development		HTF	INCL	HOME	OTHER
Scope	Funding for SDHC affordable rental housing developments when other funds are unavailable or local match funds are needed. Anticipated uses are expenses ineligible for non-AHF funds.	●	●		
Target Population	Extremely low- to moderate-income (80 percent AMI) households.				
Loan / Grant Terms	Funding may be provided in the forms of loans or grants. Loans may be structured as amortized payments, balloon payments, or residual receipt payments. Maximum loan term to maturity is 55 years. Projects shall be affordable a minimum of 55 years.				
Permanent Supportive Rental Housing Finance		HTF	INCL	HOME	OTHER
Scope	A loan and grant program for permanent housing with support services which will maximize the ability of residents to live independently. Loans and grants may be used for the development, acquisition or long-term leasing of housing facilities, improvements to existing facilities, and capitalized operating reserves.	●	●	●	●
Target Population	Extremely low- and very low-income special needs individuals identified as needing permanent housing in a service-enhanced environment; selection of individuals to be generally compatible with requirements of federal funding sources. Individuals to be assisted may include those experiencing homelessness, including those at risk of becoming homeless; those in need of special services related to physical or mental disabilities, chronic health problems (HIV/AIDS); or those recovering from substance abuse.				S t a t e

Loan Terms	Maximum term to maturity is 55 years. Payment of loan principal and interest is due and payable as a residual receipts loan or as a balloon payment at maturity but may be forgiven upon extension of affordability requirements.				
Loan Underwriting	Loan may be originated as a construction or rehabilitation loan and converted into long-term financing. Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Grant Terms	Grant Terms: Subject to revocation/repayment for nonperformance.				
Application Method	Funds for program to be made available through RFPs or NOFA.				

HOMEOWNERSHIP PROGRAMS

3% Interest, Deferred-Payment Loan Program (Unrestricted Units)		HTF	INCL	HOME	OTHER
Scope	A second trust deed loan program for low- and moderate-income first-time homebuyers that bridges the gap between what households can afford and the actual cost of acquiring a home with affordability restrictions. (Second trust deed not to exceed the lesser of 17 percent of the purchase price or appraised value.)	●	●	●	●
Target Population	The loan program is targeted mainly to households earning up to 80 percent of AMI that meet usual bank underwriting criteria for first mortgages. Limited funds are available for buyers earning up to 100 percent of AMI.				S t a t e
Loan Terms	Loans are at 3 percent simple interest and require no monthly payments. The loan term is 30 years. When a property is sold, transferred, or the loan term expires, buyer must pay SDHC the principal balance due, plus accrued interest. Approval from institutional lender required.				
Loan Underwriting:	Subject to loan policies of the SDHC unless specific exception as authorized by SDHC.				
Application Method	Purchasers apply through participating Lenders.				
3% Interest, Deferred-Payment Loan Program (Restricted Units)		HTF	INCL	HOME	OTHER
Scope	A second trust deed loan program for low- and moderate-income first-time homebuyers purchasing affordable-restricted units (e.g., inclusionary or density bonus), that bridges the gap between what households can afford and the actual cost of acquiring a home with affordability restrictions. (Second trust deed not to exceed 25 percent of the affordable purchase price at 80 percent of AMI or less and not to exceed 17 percent for buyer at 81-100 percent AMI).	●	●	●	
Target Population	Households earning up to 100 percent of AMI that meet usual bank underwriting criteria for first mortgages.				
Loan Terms	Loans are at 3 percent simple interest and require no monthly payments.				

Loan Underwriting: Application Method	<p>The loan term is 30 years, during which time unit must remain affordable. When a property is sold, transferred, or at the end of the loan term, buyer must repay SDHC the principal balance and all deferred interest. Approval from institutional lender required.</p> <p>Subject to loan policies of SDHC unless specific exception as authorized by SDHC.</p> <p>Purchasers apply through participating Lenders.</p>				
Down Payment/Closing Cost Assistance Program		HTF	INCL	HOME	OTHER
Scope	A grant program for first-time homebuyers that pays up to 4 percent of the purchase price; not to exceed \$15,000 when at or below 80 percent AMI and not to exceed \$10,000 for 81 - 100percent AMI to be used toward closing costs.	●	●	●	●
Target Population	Households earning up to 100 percent of AMI that meet usual bank underwriting criteria for first mortgages.				CD BG
Grant Terms	This is a recoverable grant and repayment of the funds is forgiven after six years.				
Neighborhood Stabilization Acquisition Loans		HTF	INCL	HOME	OTHER
Scope	A second trust deed loan program for moderate-income first-time homebuyers purchasing a bank-owned property located in targeted areas. Maximum sales price is \$408,500 and maximum loan amount is 17 percent of the purchase price. Purchase price must be at least 1 percent below appraised value.			●	●
Target Population	Households earning up to 120 percent of AMI that meet usual bank underwriting criteria for first mortgages.				N S P
Loan Terms	The loans are 0 percent interest and require no monthly payments of principal. The loan is due at the end of 30 years or upon resale, transfer or if the property is no longer owner-occupied. Approval from institutional lender required.				F u n d s
Loan Underwriting:	Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Application Method	Purchasers apply through participating Lenders.				
Neighborhood Stabilization Closing Cost Grants		HTF	INCL	HOME	OTHER
Scope	A revocable grant program for first-time homebuyers purchasing a bank-owned property under the Neighborhood Stabilization Program (NSP) guidelines. The grant pays up to 3 percent of the purchase price toward closing costs.			●	●
Target Population	Households earning up to 120 percent of AMI that meet usual bank underwriting criteria for first mortgages.				N S P
Grant Terms	Repayment of the grant, plus 5 percent interest, is required if the home				

Application Method	is sold or transferred within the first six years of ownership. Purchasers apply through participating Lenders.				
Neighborhood Stabilization Rehabilitation Loans		HTF	INCL	HOME	OTHER
Scope	A third trust deed loan program for moderate-income first-time home-buyers purchasing a bank-owned property under the NSP guidelines.			●	●
Target Population	Households earning up to 120 percent of AMI that meet usual bank underwriting criteria for first mortgages.				N S P
Loan Terms	The loans are 0 percent interest and require no monthly payments of principal. Rehab loans up to \$10,000 are forgiven after five years. Rehab loans up to \$30,000 will be forgiven after 10 years, and rehab loans in excess of \$30,000 will be forgiven after 15 years. If property is sold, refinanced, not owner-occupied or if the improvements have not been maintained prior to the end of the term, the loan funds must be repaid.				s
Loan Underwriting:	Subject to NSP guidelines as approved by SDHC.				
Application Method	Purchasers apply through SDHC.				
HOUSING INITIATIVES					
Homeless Programs, Permanent Supportive Housing, Transitional Housing					
Emergency Shelters		HTF	INCL	HOME	OTHER
Scope	SDHC administers, on behalf of the City of San Diego, emergency shelter programs that provide temporary shelter with supportive services for persons experiencing homelessness.				●
Target Population	Homeless individuals, families, and Veterans				
Terms	Up to 90 days.				
County of San Diego Hotel/Motel Vouchers		HTF	INCL	HOME	OTHER
Scope	When other shelter is not available, homeless families can apply for emergency hotel/motel vouchers. SDHC provides partial funding for this program, which is administered by the County of San Diego.				●
Target Population	Elderly persons 65 or older, families with children, persons with severe disabilities, and pregnant women (on a case-by-case basis).				
Terms	14-28 days.				
Application Method	Administered by the County of San Diego.				

Interim Housing		HTF	INCL	HOME	OTHER
Scope	SDHC administers, on behalf of the City of San Diego, interim housing programs with supportive services for homeless San Diegans.				●
Target Population	Homeless Individuals.				
Terms	Up to 120 days for interim housing beds.				
Transitional Housing		HTF	INCL	HOME	OTHER
Scope	A grant and loan program for nonprofit operators of transitional housing or permanent supportive housing. Grants and loans may be used for the leasing or operation of transitional housing and permanent supportive housing facilities as well as improvements to existing leased facilities. No more than 25 percent of grant funds may be used for administration and support services.	●	●		
Target Population	Homeless families and individuals.				
Grant Terms	Up to 24 months.				
Application Method	Funds for program to be made available through RFPs or NOFA.				
Transitional Project-Based Subsidies for Homeless Individuals		HTF	INCL	HOME	OTHER
Scope	Subsidies are issued to a partnering agency providing supportive services to homeless individuals while appropriate housing solutions are identified.				●
Target Population	Homeless individuals				
Terms	Short-term rental assistance				
Application Method	Subsidies are awarded to agencies via an RFP process.				
Rapid Re-Housing		HTF	INCL	HOME	OTHER
Scope	Short-term assistance to help persons experiencing homelessness obtain and maintain permanent housing. Assistance can include rental subsidy, security deposits, utility assistance, and case management.			●	●
Target Population	Homeless individuals, families, and Veterans.				
Term	Varies depending on project. Assistance can range from three months to two years.				
Application Method	Funds for program made available through RFPs or NOFA.				
Permanent Supportive Housing		HTF	INCL	HOME	OTHER
Scope	Permanent Supportive Housing provides homeless persons with disabilities permanent housing with supportive services so that they may live as independently as possible in a permanent setting.	●	●	●	●
Target Population	Disabled homeless individuals				
Terms	Indefinite (Permanent Supportive Housing)				

Application Method	Funds for program made available through RFPs or NOFA.				
Federal Sponsor-Based Housing Voucher Program		HTF	INCL	HOME	OTHER
Scope	A rental assistance program for homeless individuals with diagnosed mental health or drug and alcohol disorders.				●
Target Population	Homeless individuals				
Terms	Indefinite (Permanent Supportive Housing)				
Application Method	Federal Sponsor-Based Housing Vouchers are awarded to agencies via an RFP process.				
Day Center Services		HTF	INCL	HOME	OTHER
Scope	Homeless individuals are provided with laundry facilities, showers, mail, case management, storage, and referral services.				●
Target Population	Homeless individuals.				
Terms	Daytime, Year-Round				
Regional Continuum of Care Council (RCCC) Support		HTF	INCL	HOME	OTHER
Scope	SDHC is a member of the RCCC, which has 75 members across the community, including service providers, government agencies and the private sector. It oversees federal homeless assistance funds for the region. SDHC supports various elements of the RCCC including the Homeless Management Information System (HMIS), a critical component of the community's service delivery system.				●
Target Population	Programs and services for homeless San Diegans.				
CAPACITY BUILDING PROGRAM					
Technical Assistance Program		HTF	INCL	HOME	OTHER
Scope	A technical assistance program which will assist corporations and limited equity cooperatives in increasing the capacity to develop affordable housing. Program to provide "hands-on" technical assistance in such areas as concept development, site assessment and acquisition, feasibility analysis, specification writing, bid packaging and review, permit procedures, construction oversight, grants and application preparation, record keeping and developer capacity required by funding sources.	●			
Target Population/ Beneficiaries	Corporations and limited equity cooperatives with limited housing experience.				
Grant Terms	Grant is for the delivery of technical assistance services to housing developers. Scope of work will be articulated in contract documents.				
Application Method	Funds to be made available through RFP or SDHC contract policy.				

San Diego Housing Commission Income and Rent Calculations

U.S. Department of Housing and Urban Development				
2015 San Diego Median Income:				
\$73,000				
Income Limits 80% and Below are Based on HUD Formula Income				
Limits Adjusted for High Housing Cost Area				

	Extremely Low Income			Very Low Income
Family Size	30% Income	35% Income	40% Income	50% Income
ONE	\$17,050	\$19,850	\$22,700	\$28,350
TWO	\$19,450	\$22,700	\$25,950	\$32,400
THREE	\$21,900	\$25,550	\$29,200	\$36,450
FOUR	\$24,300	\$28,350	\$32,400	\$40,500
FIVE	\$28,410	\$31,700	\$35,000	\$43,750
SIX	\$32,570	\$35,050	\$37,600	\$47,000
SEVEN	\$36,730	\$38,450	\$40,200	\$50,250
EIGHT	\$40,890	\$41,850	\$42,800	\$53,500

				Low Income
Family Size	60% Income	65% Income	70% Income	80% Income
ONE	\$34,020	\$36,850	\$39,700	\$45,400
TWO	\$38,880	\$42,100	\$45,350	\$51,850
THREE	\$43,740	\$47,400	\$51,050	\$58,350
FOUR	\$48,600	\$52,650	\$56,700	\$64,800
FIVE	\$52,500	\$56,850	\$61,250	\$70,000
SIX	\$56,400	\$61,050	\$65,750	\$75,200
SEVEN	\$60,300	\$65,300	\$70,300	\$80,400
EIGHT	\$64,200	\$69,500	\$74,850	\$85,550

	Moderate Income	Moderate Income	Moderate Income	Moderate Income
Family Size	90% Income	100% Income	110% Income	120% Income
ONE	\$46,000	\$51,100	\$56,200	\$61,300
TWO	\$52,550	\$58,400	\$64,250	\$70,100
THREE	\$59,150	\$65,700	\$72,250	\$78,850
FOUR	\$65,700	\$73,000	\$80,300	\$87,600
FIVE	\$70,950	\$78,850	\$86,700	\$94,600
SIX	\$76,200	\$84,700	\$93,150	\$101,600
SEVEN	\$81,450	\$90,500	\$99,550	\$108,600
EIGHT	\$86,700	\$96,350	\$106,000	\$115,650

Effective 03/06/2015

updated 03/2015

ATTACHMENT 5

FY2016 Affordable Housing Fund Annual Plan Meeting Schedule

04/10/2015 San Diego Housing Commission Board
05/13/2015 Smart Growth and Land Use Committee
06/09/2015 City Council

Recommended Action

That the San Diego City Council give direction to the City Attorney to work with the Housing Commission President & CEO and Housing Commission General Counsel to draft ordinance amendments that improve the operation, efficiency and administration of the Affordable Housing Fund, as directed by City Council.

Summary of Proposed Ordinance Changes

1. Clarify that fees collected in the Affordable Housing Fund also include loan repayments.
2. Combine all Housing Trust Fund loan repayments and interest into one Program Funds account, reducing workload in tracking multiple repayment accounts.
3. Remove all funding percentage distribution requirements. Allow funding to be allocated to programs as approved annually in the Affordable Housing Fund Model Programs, based on market demands and available funding.
4. Clarify that funds cannot be used for rental assistance/voucher type programs.
5. Include the option to fund permanent supportive housing activities.
6. Revise priority projects to include balanced communities and transit-oriented development, removing the priority for spending funds in the Community Planning Area from which funds were collected.
7. Remove the requirement to present the Affordable Housing Fund Annual Plan to three Community Planning Groups and replace this with presenting at the Community Planners Chair meeting.
8. Add the option to include expanded funding information, local, state, and federal, in the Affordable Housing Fund Annual Report, giving a comprehensive overview of affordable housing activities during the fiscal year.