



REPORT

DATE ISSUED: August 8, 2003

ITEM 102

REPORT NO.: HCR03-045
For the Agenda of August 15, 2003

SUBJECT: Feasibility Study to Establish the San Diego Capital Collaborative

SUMMARY

Issue: Should the Housing Commission accept the report from the Reinvestment Task Force regarding the feasibility of establishing a San Diego Capital Collaborative housing and economic development equity fund?

Recommendation: Accept the report as outlined in Attachment 1 on the feasibility of establishing an equity capital fund for housing and economic development.

Fiscal Impact: None in direct costs to the Housing Commission budget. However, there is significant potential fiscal impact should the equity fund be developed for both affordable housing and job development in the San Diego region.

Affordable Housing Impact: The feasibility study suggests that a significant market exists for new development that could include housing affordable to persons below 100%MAI (\$59,900 for a family of four) with possible development of rental units that would be affordable to persons at 80% MAI (\$51,050 for a family of four).

Previous Related Actions: The Housing Commission previously approved the contract for the consultant chosen to conduct the feasibility study on July 19, 2002.

BACKGROUND

The City/ County Reinvestment Task Force (RTF) was established in 1977 and charged with the purposes of “monitoring lending practices and developing strategies for reinvestment.” The RTF fulfills much of its monitoring function through analysis of lending data (Home Mortgage Disclosure Act) and specialized research. In addition it is charged by the City Council and Board of Supervisors to develop specific lending agreements with major lenders and to record their performance under the Community Reinvestment Act annually.

The RTF also has an extensive record of creating new strategies and programs to facilitate bank investment in low-income communities. Generally the efforts of the RTF to create new strategies or programs are based in research and adopted as policies by the RTF with endorsement by the City Council and Board of Supervisors.

In 2001 the RTF implemented a Comprehensive Credit Needs Assessment in the region. This unique research identified the need for the development of equity capital to address a gap in the financial resources available to low income communities. This research was followed by a “feasibility study” to precisely identify the market characteristics and propose a structure for creating and managing an equity capital fund. The study was received by the RTF in November of 2002. The basic recommendations of the study are:

- Establish the overall Fund Development strategy for the proposed “Capital Collaborative;”
- Design a strong, self-sufficient umbrella organization to oversee and create two fund clusters; the first for mixed-use commercial, industrial and mixed income housing development; the second for small business finance; and
- Monitor and report on the success of the Funds in producing measurable outcomes (economic returns, social equity returns and environmental returns).

The RTF has embarked on preliminary elements of the recommended actions including the formation of an independent non-profit organization (Capital Collaborative), the establishment of an Advisory Committee and the development of criteria and guidelines for the selection of a fund manager.

In late 2002 the RTF developed and had approved by the City Council a “Reinvestment Master Plan” that calls for the development of the equity fund as well as fifteen other recommendations. The Master Plan identified priority initiatives for the next three years.

DISCUSSION

The study identifies the need and the investment potential for a “smart growth fund.” The fund would focus on industrial, commercial and mixed use/mixed income housing in low-income communities throughout the County. The data suggests a \$30-\$50 million dollar initial pool and proposes that the non-profit oversee the hiring of a qualified fund manager who will be

responsible for locating and funding development according to a specific set of criteria and guidelines.

The overall purpose of the Capital Collaborative – Smart Growth Fund is to serve as a catalyst for reinvestment and to accomplish community development in San Diego communities experiencing disinvestment.

Standards for Fund Manager (Contractual)

Develop industrial/commercial/mixed use/mixed income projects in or near low-moderate income communities in the San Diego region.

Develop affordable housing (80%MAI or below for rental and 100%MAI or below for sale) without geographical constraints.

Performance Guidelines for Fund Manager

- The investments should facilitate or provoke community or economic revitalization.
- Avoid displacement and discourage gentrification;
- Encourage/facilitate the creation or enhancement of livable wage job opportunities;
- Facilitate regional civic objectives for accomplishing “smart growth”
 - transit oriented
 - in older communities
 - be of mixed-use
- Involve locally based non-profit developers in the development Process;
- Be compatible with community plan goals;
- Encourage environmental enhancements;
- Encourage development of open space;
- Promote affordable home ownership;
- Offer amenities (child care, etc.);
- Provide gap capital for projects which might not otherwise be done;
- Optimize existing community resources;
- Serve as catalyst for innovative design and innovation;
- Allow for ongoing monitoring and evaluation;
- Encourage projects in public designated incentive/redevelopment Areas;

Preliminary work has begun on the development of the Fund, including 1) incorporating the new non-profit San Diego Capital Collaborative (SDCC) and appointing a board of directors; 2) distributing an RFQ for potential fund managers; 3) soliciting initial funding for the SDCC.

Nearly \$300,000 has been committed and most likely a fund manager will be retained by mid-August. Initial estimates are that a major use of the funds will be for equity positions in affordable housing developments. It is assumed that the funds raised will enhance existing public funds and increase the potential for affordable housing development above and beyond tax credit deals.

Respectfully submitted,

Approved by,

Signature on File with Original Document

Jim Bliesner
Reinvestment Director

Elizabeth C. Morris
Chief Executive Officer

Attachments:

1. The San Diego Capital Collaborative – Investment Strategy and Market Assessment Presentation*

*Due to its length the full copy of the Feasibility Study is not included with this report. A complete copy is available for review at the Housing Commission offices at 1625 Newton Avenue. If you wish to view this document, please contact Rob Albrecht at 578-7539.

ROBA\Reinvestment Task Force\HCR03-045-feas.doc:

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