



# REPORT

**DATE ISSUED:** September 5, 2003

**Item 103**

**REPORT NO.:** HCR03-071  
For the Agenda of September 12, 2003

**SUBJECT:** Housing Rehabilitation Program in the City Heights Redevelopment Project Area (Council Districts 3, 4 & 7)

## SUMMARY

**Issue:** Should the Housing Commission agree to administer a Housing Rehabilitation Program for owner-occupants in the City Heights Redevelopment Project Area for the City Redevelopment Agency as described in this report?

**Recommendation No. 1:** Recommend Housing Authority authorization for the Chief Executive Officer to execute the Agreement (ATTACHMENT 2) with the City Redevelopment Agency to administer the City Heights Housing Rehabilitation Program.

**Recommendation No. 2:** Recommend Housing Authority approval of an increase of \$350,000 for the Fiscal Year 2004 Housing Rehabilitation owner-occupied loan budget to incorporate City Redevelopment Agency tax increment housing set-aside funds for the City Heights Housing Rehabilitation Program.

**Fiscal Impact:** This action would increase the Housing Commission's Housing Rehabilitation loan budget by \$350,000 from the City's Redevelopment Agency tax increment housing set-aside funds. An administrative fee of 15% would be provided from these funds for each rehabilitation loan funded in order to offset staff costs in the administration of this new program.

**Affordable Housing Impact:** \$350,000 would fund twenty Home Repair Loans at \$10,000 and twenty Exterior Enhancement loans at \$5,000, or a combination of both, plus administrative costs, for homeowners earning up to 100% of Median Area Income as adjusted for family size.



## **BACKGROUND**

The Housing Subcommittee, established by the City Heights Redevelopment Project Area Committee (PAC), previously determined the best use of housing set aside funds in the project area were: 1) a first time homebuyer program, which was implemented in November 2001, and 2) a home rehabilitation program to assist low income owner-occupants of one- and two-unit properties. On July 29, 2003, the Redevelopment Agency approved the expenditure of up to \$350,000 for program administration and funding from City Heights tax increment housing set-aside funds for a housing rehabilitation program.

## **DISCUSSION**

The City Redevelopment Agency issued a Request for Proposals on June 6, 2003 to administer the housing rehabilitation program. Strategy 6 of the Housing Commission's Business Plan (approved by the Housing Commission on December 13, 2002 and the Housing Authority on February 11, 2003 (HCR02-055) is to market and implement technical rehabilitation services to public entities, as well as not-for-profit and for-profit affordable housing developers. In early July 2003 the Housing Commission submitted a proposal to the Redevelopment Agency for the administration of the City Heights Program (ATTACHMENT 1) and, in late July 2003, the Housing Commission was selected to administer the program.

The Housing Rehabilitation Program in the City Heights Redevelopment Project Area provides for two types of housing rehabilitation loans: 1) a Home Repair loan up to \$10,000 and 2) an Exterior Enhancement loan up to \$5,000; or a combination of the two. The loans will be available to City Heights owner-occupants of one- and two-unit properties whose gross household income is no greater than 100% of the Median Area Income as adjusted for household size. Each loan is a one-time only, forgivable loan, with an annual interest rate of 3%. The Home Repair loan will be forgiven incrementally over a ten year period, while the Exterior Enhancement loan will be forgiven over a five year period. However, if the owner fails to comply with the guidelines within the five or ten year forgivable period, respectively, the Agency may require the repayment of the unforgiven portion of the loan and accrued interest.

The Housing Commission Rehabilitation staff will be responsible for marketing and administering the program and reporting to the Redevelopment Agency as described in the Agreement (ATTACHMENT 2). The Commission is requesting authority for its CEO to execute the Agreement with the Redevelopment Agency for the administration of this program and to increase by \$350,000 the Housing Commission's Fiscal Year 2004 Housing Rehabilitation loan budget to fund the program from City Heights tax increment housing set-aside funds. The Agreement is limited to this one year of funding, however, it is anticipated that, if successful, and additional funding becomes

available, the Agreement will be revised in the future to allow for multi-year funding and administration.

**ALTERNATIVE**

Do not authorize execution of the Agreement nor the budget revision.

Respectfully submitted,

Approved by,

**Signature on File with Original Document**

Jack D. Farris  
Housing Finance & Development Manager

Elizabeth C. Morris  
Chief Executive Officer

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**Attachments:**

1. San Diego Housing Commission Proposal to Administer the City Heights Redevelopment Project Area Housing Rehabilitation Program.
2. Agreement for the administration of the City Heights Housing Rehabilitation Program.