



Good Neighbors

San Diego  
Housing Commission

# REPORT

**DATE ISSUED:** September 26, 2003

**ITEM 105**

**REPORT NO.:** HCR03-084  
For the Agenda of October 3, 2003

**SUBJECT:** Application for State of California Local Housing Trust Fund Program Funding (Citywide)

## SUMMARY

**Issue:** Should the Housing Commission apply for funding from the State of California under the Local Housing Trust Fund Program?

**Recommendation:** That the Housing Commission recommend the City Council authorize an application to the State of California for up to \$2 million in funding from the Local Housing Trust Fund Program and authorize the Chief Executive Officer to execute all required documents.

**Fiscal Impact:** None with this action.

**Affordable Housing Impact:** Approval of the grant application will provide additional lending opportunities under the Housing Commission's rental housing production program. A \$2 million allocation would provide financial assistance to developers of affordable housing to create up to 60-100 rental units affordable to low-income households earning less than 60 percent of area median income (currently \$26,820 for one person (studios); \$30,600 for two persons (1 bedroom units); \$34,440 for three persons (2 bedroom units); and \$38,280 for four persons (3 bedroom units)).

**Future Related Action:** If funds are awarded, the Housing Commission will seek Housing Authority approval to amend the FY04 Budget increasing Rental Housing Production.

## **BACKGROUND**

On August 18, 2003, the State of California issued a Notice of Funding Availability (NOFA) making \$24 million in funding available for the Local Housing Trust Fund Program (LHTFP). The LHTFP was created by AB 1891 and is funded under the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 46). The program is administered by the State of California's Department of Housing and Community Development (State HCD).

## **DISCUSSION**

Funds awarded by this program must be used for the development of affordable multifamily rental housing and must be matched dollar for dollar by the applicant. Applications are due on November 14, 2003 and awards are expected to be announced on or before December 31, 2003.

The LHTFP is intended to support innovative local entities that have identified and committed sources of funds not traditionally utilized in the development of affordable housing, either through existing or new Local Housing Trust Funds. One-time grants will be awarded to eligible cities, counties, and nonprofit applicants to support Local Housing Trust Funds dedicated to the creation or preservation of affordable housing. The Housing Commission administers the City of San Diego's Housing Trust Fund which was created in 1990 pursuant to Ordinance O-17454.

Requirements of the NOFA include:

- Grant funds must be used to provide loans for the construction or rehabilitation of rental housing developments.
- All assisted units must be restricted for households earning not more than 60 percent of area median income and be affordable for a period of not less than 55 years.
- The minimum grant amount is \$1 million and the maximum grant amount is \$2 million.
- The amounts applied for must be "matched" by the applicant using funds "not otherwise restricted" for housing purposes.

The guidelines give applicants flexibility in structuring loans and provides that loan repayments shall accrue to the grantee housing trust fund.

Grant funds must be "matched" by the applicant using funds "not otherwise restricted" for housing purposes and match funds must be on deposit at the time of application. HOME, CDBG, and redevelopment agency tax increment set-aside funds do not qualify as matching

funds. The Housing Trust Fund Linkage Fee qualifies for the match; however, Housing Trust Fund revenues have declined for 5 consecutive years, with only \$2.4 million collected in FY03, and only a portion of this used for rental housing production. To maximize this funding opportunity, staff is exploring whether local land use fees, including the Inclusionary Housing In-Lieu fee, can qualify for the match requirement.

Grant funds must be awarded/encumbered to specific projects within thirty months of award and must be expended no later than thirty months after the date of encumbrance, otherwise funds will revert to the State HCD for use in their Multifamily Housing Program. Depending on grant funds awarded and the timing of projects, it may be necessary to revise the Housing Trust Fund FY04 Program Plan to reflect an increase in rental housing production funding.

Respectfully submitted,

**Signature on File  
With Original Document**

Approved by,

Jack D. Farris  
Manager, Housing Finance & Development

Elizabeth C. Morris  
Chief Executive Officer

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