



Good Neighbors

San Diego  
Housing Commission

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# REPORT

**DATE:** For the Agenda of September 21, 2001 **Item 104**

**REPORT NO:** HCR01-102

**SUBJECT:** Master Agreement with Southeastern Economic Development Corporation for Administration of Housing Programs (Council Districts 4 and 8)

## SUMMARY

**Issue 1:** Should the Housing Commission continue to administer Housing Programs on behalf of Southeastern Economic Development Corporation (“SEDC”) by entering into a Master Agreement for the administration of Housing Rehabilitation and First Time Home Buyer programs in targeted redevelopment areas as outlined in this report?

**Recommendation 1:** That the Housing Commission recommend approval of a Master Agreement with SEDC as contained in Attachment 1.

**Issue 2:** Should the Housing Commission rescind Policy PO600.204, Redevelopment Area Rehabilitation Policy for Mount Hope & Southcrest Redevelopment Areas, and administer the programs on behalf of SEDC based on the terms included in the Master Agreement?

**Recommendation 2:** That the Housing Commission rescind Policy PO600.204, Redevelopment Area Rehabilitation Policy for Mount Hope & Southcrest Redevelopment Areas.

**Fiscal Impact:** Funds would be amended into the Housing Commission budget as they are made available by SEDC, and would include an administrative fee for Housing Commission costs.

**Previous Related Actions:** On April 15, and April 30, 1991, the Housing Commission, and the Housing Authority/Redevelopment Agency, respectively, approved establishment of the Mt. Hope Housing Rehabilitation Program.

On October 29, 1996 the Redevelopment Agency adopted the Southcrest Housing Rehabilitation Grant Program and on July 28, 1997, the Housing Commission approved the Southcrest Housing Rehabilitation Program.

On April 23, and May 25, 1999, the Housing Commission and the Housing Authority/Redevelopment Agency, respectively, approved the implementation of a First Time Home Buyer Program in targeted Redevelopment Areas.

## **BACKGROUND**

The San Diego Housing Commission and the Southeastern Economic Development Corporation (SEDC) have partnered since 1991 using tax increment housing set-aside funds to provide Housing Rehabilitation and First Time Home Buyer assistance to residential owners and buyers in targeted redevelopment areas for which SEDC has redevelopment responsibilities on behalf of the Redevelopment Agency of the City of San Diego. The Mt. Hope Housing Rehabilitation Program was established in 1991 to provide a variety of loan and grant programs to homeowners in the Mt. Hope Redevelopment Area.

The Southcrest Exterior Grant Program was initiated in 1997 to provide an incentive to diminish contrasts between newly developed single-family residences and adjacent existing homes. The Shared Equity and Down Payment Assistance Program Agreement for Redevelopment Areas was established in 1999 to provide First Time Home Buyer assistance for the purchase of newly constructed residences in targeted redevelopment areas.

## **DISCUSSION**

The purpose of this report is to establish a Master Agreement to standardize the program assistance and administration within the redevelopment areas for which SEDC is responsible. The San Diego Housing Commission on behalf of SEDC and the Redevelopment Agency has administered the programs mentioned above in different manners. SEDC and the Housing Commission want to standardize and expand these programs to provide the same housing rehabilitation loan and grant terms in each of the Mt. Hope and Southcrest Redevelopment Areas as well as including the adjacent Central Imperial Redevelopment Area and Dells Imperial Study Area.

In addition, the agencies want to expand the First Time Home Buyer assistance for purchase of existing homes as well as newly constructed housing in the Redevelopment Areas under SEDC's area of influence.

The following table indicates the current and proposed programs:

<b>PROGRAM TYPE</b>	<b>CURRENT PROGRAM</b>	<b>PROPOSED PROGRAM</b>
Mt. Hope Housing Rehabilitation Program	3% 15 Yr Deferred Loan to \$35,000 (<60% MAI, Disabled, Elderly) (1-2 unit properties)	3% 15 Yr Deferred Loan to \$35,000 ( <b>&lt;80% MAI</b> ) with option of <b>0% 15 Yr amortized if qualified</b> ) 1-2 unit properties
	0% 15 Yr. Amortized Loan to \$35,000 (60%-80% MAI)	
	3% 15 Yr Amortized Loan to \$35,000 (80%-120% MAI)	<b>Deleted</b>
	\$3,000 Home Repair Grant (< 60% MAI)	<b>Home Repair Grant up to \$5,000 forgiven over 5 yrs. (&lt;80% MAI)</b>
	Exterior Paint Rebate up to \$750 (< 120% MAI)	<b>Deleted</b>
	No Exterior Enhancement Grant	<b>Exterior Grant up to \$5,000 forgiven over 5 yrs. (&lt;80% MAI)</b>
	No administrative fees to Housing Commission	<b>Administrative fee of 10% of new funds and program income to Housing Commission</b>

<b>PROGRAM TYPE</b>	<b>CURRENT PROGRAM</b>	<b>PROPOSED PROGRAM</b>
Southcrest Housing Rehabilitation Program	Exterior Enhancement Grant up to \$5,000 forgiven over 5 years (<120% MAI)(1 unit properties)	Exterior Enhancement Grant up to \$5,000 forgiven over 5 years ( <b>&lt;80% MAI</b> )(1-2 unit properties)
	Administrative Fee of 10% of new funds and program income to Housing Commission	No change
	No other loans or grants offered	<b>Implement other loans and grants as proposed in Mt Hope Program (3% 15 yr deferred loan to \$35,000, Home Repair Grant to \$5,000 forgiven over 5 years (&lt;80% MAI)</b>
Central Imperial/Dells Imperial Housing Rehabilitation Programs	No targeted Housing Rehabilitation Program offered	<b>Implement same loans and grants as proposed in Mt Hope Program (3% 15 yr deferred loan to \$35,000, Home Repair Grant to \$5,000 forgiven over 5 years (&lt;80% MAI) Exterior Grant to \$5,000 forgiven over 5 years (&lt;80% MAI) 10% Admin fee to Housing Comm</b>
Redevelopment Target Areas	Shared Equity deferred loan of 20% of sales price up to \$25,000	Shared Equity deferred loan of <b>25%</b> of sales price up to <b>\$40,000</b>

First Time Home Buyer Program	Down Payment Assistance Grant of 2% of sales price up to \$5,000	Down Payment/ <b>Closing Cost</b> Assistance Grant of <b>4%</b> of sales price up to \$5,000.
	For purchase of newly constructed homes in targeted projects	For purchase of newly constructed <b>and existing homes in targeted redevelopment areas</b>

(% MAI = Percentage of Median Area Income)

## RECOMMENDATIONS

1. Revise current Housing Rehabilitation Programs in existing Mt. Hope and Southcrest Redevelopment Areas and establish new Central Imperial and Dells Imperial Study Area Housing Rehabilitation Programs, providing the following loans and grants in each area:
  - a. 3% simple interest loan deferred for fifteen years up to \$35,000 to owner-occupants of one and two unit properties earning less than 80% MAI, with option to a no interest (0%) fifteen year amortized loan of principal-only payments if borrower can qualify using current underwriting guidelines.
  - b. Home Repair Grant up to \$5,000 which is forgiven 20% per year for five years conditioned upon continued owner occupancy. For owner-occupants earning less than 80% MAI.
  - c. Exterior Enhancement Grant up to \$5,000 which is forgiven 20% per year for five years conditioned upon continued owner occupancy and maintenance of exterior improvements. For owner-occupants earning less than 80% MAI.
  - d. Provides administrative fee to the Housing Commission of ten (10%) percent of newly budgeted funds and program income to process applications funded by such funds.
2. Revise existing First Time Home Buyer Program in targeted Redevelopment Areas to increase Shared Equity loan from 20% to 25% of sales price and increase the maximum amount from \$25,000 to \$40,000 to offset rising housing prices.
3. Revise existing Down Payment Assistance Grant to a Down Payment/Closing Cost Assistance Grant and increase percentage from 2% to 4% of sales price up to \$5,000 maximum.
4. Rescind Policy 600.204, which only applies to the Mount Hope and Southcrest Redevelopment areas and administer the SEDC programs under the terms of the Master Agreement as outlined in this report. This action will eliminate an unnecessary policy since the Master Agreement is used to operate these programs.

The Housing Commission has, in the past, approved guidelines to be followed in rehabilitation programs for both rental and owner occupied property. These guidelines are included in policies PO600.202 and PO600.203. Should the Housing Commission agree to

administer programs for other agencies in redevelopment areas in the future, those programs will be operated either under the current Housing Commission policies or under terms included in the applicable Master Agreements.

#### **ALTERNATIVES**

1. Discontinue current Mt. Hope Housing Rehabilitation Program due to no administrative funding.
2. Decline to administer programs on behalf of SEDC.

Respectfully submitted,

Patricia Duplechan  
Director of Housing Programs

**Signature on File  
With Original Document** Approved,

Elizabeth C. Morris  
Chief Executive Officer

**ATTACHMENTS** (Limited distribution due to length. Copies are on file at the Office of the City Clerk and the San Diego Housing Commission.)\*

1. Master Agreement with SEDC
2. Agreement and Scope of Services for the Mt. Hope Housing Rehabilitation Program\*
3. Agreement and Scope of Services for the Southcrest Housing Rehabilitation Program\*
4. Agreement for SEDC's Participation in the Shared Equity and Down Payment Grant Programs\*
5. Redevelopment Area Rehabilitation Policy PO600.204\*