



Good Neighbors

San Diego
Housing Commission

REPORT

DATE: For the Agenda of December 14, 2001 **ITEM 104**

REPORT NO: HCR01-120 SUPPLEMENTAL

SUBJECT: Award of Funding for Shared Equity Demonstration Program for Newly Constructed Homeownership Developments (Council Districts 3 and 8)

SUMMARY

Issue: Should the Housing Commission adopt the recommendation of the Loan Committee and approve the allocation of the \$500,000 in shared equity funding for first-time homebuyers purchasing in the new construction developments?

Recommendation: That the Housing Commission approve the allocation of \$500,000 in shared equity funding for first-time homebuyers purchasing in the new construction developments as follows:

\$380,000 for Urban Village Office and Townhomes being developed by City Heights Revitalization LP; and

\$120,000 for Casitas De La Florecitas being developed by Casa Familiar.

Affordable Housing Impact: \$500,000 will assist approximately 14 first-time homebuyers in purchasing a new home through shared equity loans averaging \$35,000 each. These homebuyers would have a maximum household income of 100% of the Median Area Income (MAI) (presently \$56,900 for a family of four).

DISCUSSION

On October 30, 2001, the Loan Committee after hearing this item, made the alternate recommendation included in our November 9, 2001 report (Attachment 1) which is the



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recommendation indicated above. This recommendation would assist homebuyers in two different communities in the City.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Jack D. Farris
Manager, Housing Finance & Development

Elizabeth C. Morris
Chief Executive Officer

Attachment 1: Housing Commission Board Report HCR01-120 dated November 9, 2001

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Good Neighbors

San Diego
Housing Commission

REPORT

DATE: For the Agenda of November 9, 2001 **ITEM 106**

REPORT NO: HCR01-120

SUBJECT: Award of Funding for Shared Equity Demonstration Program for Newly Constructed Homeownership Developments (Council District 3)

SUMMARY

Issue: Should the Housing Commission adopt the recommendation of the Selection Committee and approve \$500,000 in shared equity funding for first-time homebuyers purchasing in the new construction development of Urban Village Office and Townhomes being developed by City Heights Revitalization LP?

Recommendation: That the Housing Commission approve \$500,000 in shared equity funding for first-time homebuyers purchasing in the new construction development of Urban Village Office and Townhomes being developed by City Heights Revitalization LP.

Fiscal Impact: Funding for this program has been allocated as follows:

Certificate No.:	02-086
Amount:	\$435,000
Revenue Source:	Shea Homes
Division	Housing Finance and Development
Line Item:	Loans

Certificate No.:	00-246
Amount:	\$65,000
Revenue Source:	Housing Trust Fund
Division	Housing Finance and Development
Line Item:	Loans

Affordable Housing Impact: \$500,000 will assist approximately 17 first-time homebuyers in purchasing a new home through shared equity loans averaging \$29,000 each. These homebuyers would have a maximum household income of 100% of the Median Area Income (MAI) (presently \$56,900 for a family of four).



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Previous Related Actions: In April and May 2000, the Housing Commission Board and the Committee on Land Use and Housing, respectively, approved the development of the Shared Equity Demonstration Program for Newly Constructed Homeownership Developments. On October 30, 2001, the Loan Committee is scheduled to hear this item, and the recommendation will be reported to the Commission at the November 9, 2001 meeting.

BACKGROUND

The median price of a home in San Diego County is now \$275,000 (as of September 2001 data). Only 24 percent of the population can afford to buy a home at that price. The median price of a new home sells for \$334,250 in San Diego County. The Commission has a very active First-time Homebuyer Program for low- and moderate-income families that has been well received by realtors, lenders and eligible homebuyers. Since the early 1990s, the Commission has utilized federal, state and local assistance to help over 3,500 households in the City of San Diego achieve homeownership for the first time. The program consists of several tools which include downpayment assistance, mortgage credit certificates, and silent second loans. A description of the three components is included as Attachment 1. These financing mechanisms assist families in increasing the purchase price for which they can qualify.

The Commission has allocated approximately \$3 million annually in HOME funds for the shared equity component, with approximately \$300,000 in Housing Trust Fund funds allocated to the down payment grant component. The average shared equity loan is \$35,000 and the average homebuyer earns 68 percent of median area income.

To determine the maximum amount a family can afford, a conventional rule of thumb is to multiply gross income times three. A family of four at 100% of MAI could qualify for a home costing \$170,700 (\$56,900 x 3). However, with tools such as those included in the Housing Commission's shared equity program, that amount would increase.

The financial and social benefits of homeownership are many and extend well beyond those experienced by the homeowners themselves. Homeownership gives a family stability, tax benefits, financial security and pride of ownership. In addition, the availability of affordable homeownership opportunities helps San Diego stabilize communities, broaden its tax base and attract and retain business. It is for those reasons that the Housing Commission's First-Time Homeownership Program is an effective resource for homebuyers and communities alike.

DISCUSSION

In March 2001, the Housing Commission received \$483,000 as part of an in-lieu fee, to satisfy the affordable housing requirements of a discretionary building permit for market rate homes. Under an affordable housing development agreement with the developer, Shea Homes, the fees are designated for affordable homeownership opportunities. This is a one-time source of funding.

Set-Aside Funding for Homeownership Program

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To help the City generate homeownership development for a wider variety of income groups, the Housing Commission recommended that these monies be utilized to fund a demonstration program that would encourage private investment in developing new affordable homeownership opportunities. This program differs from the Housing Commission's current shared equity program in that the current program is available to homebuyers on a first-come-first served basis regardless of where they purchase a home. The proposed program would reserve shared equity funds for specific developments. To achieve this, it was recommended that the money be allocated through a Request for Proposal (RFP) process, based on the following criteria:

- the proposed development must be within one year of completion from the allocation date and shared equity funds must be obligated within one and one-half years;
- the proposed development would offer mixed-income opportunities;
- the proposed development would promote economic heterogeneity of the neighborhood, facilitate jobs/housing balance, and/or help leverage reinvestment efforts currently underway within a community;
- additional non-Housing Commission assistance, such as redevelopment funds if applicable, community development block grant funds, private funds, are identified by the developer to assist with down payment or closing costs; and
- the proposed development will have easy access to public facilities including transportation.

The RFP was released on August 24, 2001. Notification of the RFP was accomplished by utilizing an already established mailing list within the Commission, publication in local newspapers and utilizing other resources such as the San Diego Housing Federation.

Five proposals were received, totaling funding requests of \$1,820,000 and are briefly described in Attachment 2.

The selection panel consisted of Ms. Carmen Luna, Vice President of Chase Manhattan Mortgage Corporation; Mr. James Hunt, Principal of Affordable Housing Application and Mr. Joseph Horiye, President of San Diego Community Housing Corporation. The panel met on October 17, 2001 to review, rate the proposals, and make a recommendation to staff. The recommended development attains all the criteria listed above and was ranked first by all three panelists. Staff concurs with the selection panel/committee decision. Attachment 3 reflects the total average points scored by the five proposals.

ALTERNATIVE RECOMMENDATION

Allocate funds to the first and second place proposals, by funding three homes (38%) of the second place development, with the balance of funds designated to the first place development. The alternative would assist homebuyers in two different communities in the City.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Patricia Duplechan
Director, Housing Programs

Elizabeth C. Morris
Chief Executive Officer

Attachment 1: First-time Homebuyer Program Descriptions
Attachment 2: Proposal Descriptions
Attachment 3: Proposal Scoring

ATTACHMENT 1

SAN DIEGO HOUSING COMMISSION FIRST-TIME HOMEBUYER PROGRAM DESCRIPTIONS

Mortgage Credit Certificate (MCC) Program

First-time homebuyers purchasing houses or condominiums within the city limits of San Diego can receive a tax credit equal to either 15 or 20 percent of the mortgage interest they pay each year on their federal income taxes. This increases their take home pay, which helps them make their monthly mortgage payment and qualify for a larger first mortgage. Buyers apply through participating lenders.

Down Payment Assistance Grant

In conjunction with the MCC Program, a first-time buyer can also apply for a recoverable grant equal to 4 percent of the purchase price, not to exceed \$5,000, to be used toward their down payment and closing costs. The buyer must be a first-time homebuyer whose income is no more than 100 percent Median Area Income. The grant is recoverable if the buyer sells or rents the home within the first six years. This program requires 3 percent down payment by the borrower. It is available through the MCC participating lender who is providing the first trust deed mortgage and is only available for conventional first mortgages with no balloon payments.

Shared Equity/Silent Second Loan Program

First-time homebuyers earning no more than 80 percent of the Median Area Income (for the HOME funded program) or 100 percent of the Median Area Income (for the Shared Equity Demonstration Program) can purchase homes in the City of San Diego with the help of a “silent second” loan from the Commission equal to the lesser of either 25 percent of the purchase price or \$40,000. No monthly payments and no interest payments are required. If the buyer sells or rents the home within 15 years, the equity is shared with the SDHC. The buyer must have sufficient income and credit history, plus cash equal to 3 percent of the purchase price for a down payment, plus closing costs. The buyer must also complete homebuyer classes given by the lender. It is available through 7 participating lenders who provide the first trust deed mortgage.

ATTACHMENT 2

PROPOSALS RECEIVED

Project Name: Skyline Terrace Estates
Applicant: Carter Reese No. 11, LP
Project Location: Skyline and Woodman (South Encanto neighborhood)
Sales Price: \$194,000 to \$282,000
Units in Project: 30 single family homes
Unit Mix: 4 – 3 bedrooms (1,445 sf) – affordable units
9 – 4 bedrooms (1,885 sf)
17 – 4 bedrooms (2,150 sf)
Type: Detached
Completion: September 2002
Amount Requested: \$160,000
Other: SEDC

Project Name: Townes at Kansas Street
Applicant: Carter Reese No. 12, LP
Project Location: 4321 Kansas Street (North Park neighborhood)
Sales Price: \$180,000
Units in Project: 14 – all affordable
Unit Mix: All 3 bedroom
Type: Attached townhomes
Completion: May 2003
Amount Requested: \$340,000
Other: Project is part of a redevelopment effort which will produce 141 residential units, 101 of which are affordable and includes 87 senior apartments.

Project Name: Casitas De La Florecitas
Applicant: Casa Familiar, Inc.
Project Location: 115-135 Sellsway Street (San Ysidro neighborhood)
Sales Price: \$165,000
Units in Project: 8
Unit Mix: All 3 bedroom (1227 sf)
Type: Attached – Twin Home
Completion: May 2002
Amount Requested: \$320,000
Other: Federal Home Loan Bank Affordable Housing Program award of \$10,000 per homebuyer.
All houses affordable to 65% or below MAI

Project Name: **Urban Village Office and Townhomes**
Applicant: City Heights Revitalization LP (CHR)
Project Location: University Avenue and Fairmount (City Heights neighborhood)
Sales Price: Average of \$115,000 with ground lease
Units in Project: 116
Unit Mix: 81 for sale – 34 affordable rentals to 50% or below MAI
6 – 2 bedroom (960 sf)
69 – 3 bedroom (1,280 sf)
6 – 4 bedroom (1,680 sf)
Type: Attached
Completion: October 2002
Amount Requested: \$500,000
Other: Ground lease restricts resale price to keep the units permanently affordable. CHR provides first mortgage at 6% interest.

Project Name: **Orange Walk**
Applicant: The Olson Company
Project Location: 4195 54th Place (Rolando Heights neighborhood)
Sales Price: \$157,900-\$228,990
Units in Project: 51
Unit Mix: 17 – 2 bedrooms (947sf) –
10 – 3 bedrooms (1,227 sf)
7 – 3 bedrooms (1,362 sf)
17 – 3 bedrooms (1384 sf)
Type: Attached
Completion: February-April 2002
Amount Requested: \$500,000

ATTACHMENT 3

Project Name/Developer	Points (Maximum 100)
Urban Village Office and Townhomes City Heights Revitalization LP (CHR)	94.33
Casitas De La Florecitas Casa Familiar, Inc.	85.33
Orange Walk The Olson Company	80.00
Townes at Kansas Street Carter Reese No. 12, LP	64.66
Skyline Terrace Estates Carter Reese No. 11, LP	56.33