



REPORT TO THE HOUSING AUTHORITY

DATE ISSUED: September 14, 2022

REPORT NO: HAR22-025

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of October 11, 2022

SUBJECT: State of California Housing and Community Development Local Housing Trust Fund
Program Project Revision

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Approve resolution amending Attachment 1, which was adopted by and incorporated into by reference the City of San Diego Housing Authority Resolution HA-1903 (April 13, 2021), to replace the Hilltop & Euclid Family Apartments project with Community HousingWorks' Cortez Hill project for use of the State of California's Local Housing Trust Fund Program funds.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Approve a resolution amending Attachment 1, which was adopted by and incorporated into by reference Housing Authority resolution HA-1903 (April 13, 2021) to replace the Hilltop & Euclid Apartments project with Community HousingWorks' Cortez Hill project for the use of the State of California's Local Housing Trust Fund Program (LHTFP) funds.
- 2) Authorize the San Diego Housing Commission's (Housing Commission) President and Chief Executive Officer, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by the Housing Commission's General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals. Housing Commission staff will notify the Housing Authority and City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.

SUMMARY

On April 30, 2020, the California Department of Housing and Community Development's (HCD) LHTFP released a Notice of Funding Availability (NOFA) for Matching Grants for new and existing Local Housing Trust Funds. Funds available through this NOFA are from the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), adopted by voters on November 6, 2018, to be used for the purposes set forth in California Health and Safety Code Section 50842.2, and subject to the LHTFP Guidelines adopted in April 2020. The application deadline was August 3, 2020.

By resolution HA-1868 (July 28, 2020), the Housing Authority authorized the Housing Commission to submit an application for funds in response to this NOFA. Resolution HA-1868 conformed to the HCD resolution requirements at the time. The Housing Commission submitted an application for funding before the program deadline.

On January 13, 2021, HCD staff asked the Housing Commission to revise the previously approved Resolution HA-1868 to incorporate a list of projects to which the NOFA funds would be applied.

On February 5, 2021, HCD staff informed the Housing Commission that \$5 million in matching State grant funds has been awarded to the Housing Commission to be used for eligible projects that create or preserve affordable housing within the City of San Diego (City). This funding opportunity is available for new or existing Local Housing Trust Funds.

By Resolution HA-1903 (April 13, 2021), the Housing Authority approved revisions to Resolution HA-1868 to incorporate a list of eligible projects to which the NOFA funds would be applied. Three of the four previously approved projects are now under construction. The staff-recommended actions in this report are to approve a resolution amending the list of projects (Attachment 1). The previously approved Hilltop & Euclid Family Apartments project was subsequently deemed ineligible due to HCD's required interest rate of 3 percent. The Housing Commission's loan closed in October 2020 at an interest rate of 4 percent. While decreasing the interest rate to 3 percent could have been beneficial to the project, legal counsel, the tax credit investor and the developer's accounting firm all agreed that issues with IRS regulations and related reporting would have occurred if the developer moved forward with the request. As such, the Housing Commission is requesting to amend Attachment 1 to replace the Hilltop & Euclid Family Apartments project with Community HousingWorks' Cortez Hill project. By approving this action, the loan provided by the Housing Commission for the Hilltop & Euclid Family Apartments project will not be impacted as the total loan of \$8,300,000 will remain the same; the funding, however, is now made up of other available funding sources.

State matching funds can be used to provide construction loans and/or permanent financing loans to pay for construction or rehabilitation of affordable rental housing developments, emergency shelters, permanent supportive housing, transitional housing and affordable homebuyer/homeowner projects. LHFTP funds may also be used to assist income-eligible first-time homebuyers to purchase homes and to rehabilitate houses owned by income-eligible occupants, as well as to construct, convert, reconstruct, rehabilitate and/or repair Accessory Dwelling Units or Junior Accessory Dwelling Units. At least 30 percent of LHFTP funds and matching funds must be used on eligible projects that are affordable to, and restricted for households with income at or below 30 percent of Area Median Income (AMI), currently \$39,050 per year for a family of four in the City. No more than 20 percent of the total amount of the LHFTP funds and matching funds can be expended on eligible projects affordable to, and restricted for households with income at or below 120 percent of AMI, \$128,300 per year for a family of four in the City. The remaining LHFTP funds and matching funds shall be used for eligible projects that are affordable to and restricted for, households with income at or below 80 percent of AMI, currently \$104,100 per year for a family of four in the City.

Further, use of the funds will also be required to comply with the City's Affordable Housing Fund AHF Program rules. It is anticipated that the funds will be used to develop multifamily affordable rental housing or permanent supportive housing developments serving households with income ranging from 30 percent to 60 percent of AMI, currently \$39,050 to \$78,060 per year for a family of four in the City.

AFFORDABLE HOUSING IMPACT

The awarded State funds increased revenues available for use within the City's AHF by \$5 million, thus positively impacting the availability of affordable housing in the City for extremely low-income, low-income and moderate-income residents.

Three projects utilizing LHFP funds are currently under construction. The three projects are Jamboree San Ysidro Permanent Supportive Housing, Ulric Street Apartments, and Ventana al Sur apartments. If the amendment to Attachment 1 is approved, Community HousingWorks' Cortez Hill project will be the fourth project. This project is expected to begin construction by the end of calendar year 2022.

FISCAL CONSIDERATIONS

The previously approved matching funds as well as the previously approved grant revenues were included in the Housing Authority-approved Fiscal Year 2023 Housing Commission Budget.

Funding sources are as follows:

State Local Housing Trust Funds – up to \$5,000,000

Funding uses are as follows:

Affordable Rental Housing Development – up to \$5,000,000

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Community HousingWorks is committed to equity and inclusion as both an employer and a service provider. The Housing Commission included a requirement in the NOFA for prospective applicants to include a narrative and specific examples of activities and initiatives that support equity assurance. Community HousingWorks demonstrates a commitment to advancing racial equity and inclusion through project design and operational policies, throughout the proposed project timeline.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

The Housing Commission has sought matching grants from HCD's LHFP on three prior occasions:

By San Diego Resolution R-298562 (November 3, 2002) the City Council of the City of San Diego (Council) authorized an application that resulted in an award of \$2 million to the City's AHF. These funds were used, in part, to finance three affordable housing developments: Becky's House II, Sunburst Apartments and Veterans Village Phase Two.

By San Diego Resolution R-304523 (December 15, 2008), Council authorized an application, which was submitted in January 2009. That application was not selected for funding. San Diego Resolution R-304523 also authorized the Housing Commission to submit an application in response to "any subsequent NOFA's issued and to request a finding allocation for affordable housing activities in the City of San Diego that are in accordance with the Housing Trust Fund and the LHFP Program."

Housing Authority Resolution HA-1617 (April 15, 2014) authorized an application that resulted in an award of \$1 million to the City's AHF. These funds were used for new construction of 59 permanent supportive housing units at Talmadge Gateway.

Housing Authority Resolution HA-1868 (July 28, 2020) authorized an application that resulted in an award of \$5 million to the City.

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Housing Authority Resolution HA-1903 (April 13, 2021) authorized a revision to Resolution HA-1868 to incorporate a list of projects that would utilize the funding.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Proposed projects will be presented to the applicable Community Planning Groups for their review and input.

KEY STAKEHOLDERS and PROJECTED IMPACTS

This funding opportunity would benefit extremely low-income to moderate-income residents of the City. Affordable housing developers are also potential stakeholders.

ENVIRONMENTAL REVIEW

This activity, revising the list of projects that will receive funds from HCD's Local Housing Trust Funds and committing \$5 million of matching funds, is not a project as defined by the California Environmental Quality Act (CEQA) Section 15378, as it involves accepting and matching grant funds, which on its own accord will not cause a potentially significant physical impact on the environment. Thus, this activity would not be subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3). The projects associated with this grant will be subject to CEQA pursuant to CEQA Guidelines Section 15004, which provides direction to lead agencies on the appropriate timing for environmental review. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Jennifer Kreutter

Jennifer Kreutter
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

Attachments:

- 1) Amended Attachment 1

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

Attachment 1

INSTRUCTION: Provide a short summary on how you commit to use the Program Funds and Matching Funds. The summary, which shall be labeled *Attachment 1* shall include: (1) identification of the percent of the total funds requested that will be used for each activity/project, including Area Median Income (AMI) level; and (2) a list of the jurisdictions where the activities/projects will be delivered, in the case of any HTF that serves more than one jurisdiction. **Attachment 1 MUST** be incorporated into your Resolution as an attachment before it is adopted

Description	Total Funds	Program Funds	Matching Funds	AMI Level	Jurisdiction(s)
Jamboree San Ysidro Permanent Supportive Housing: 06/2020 CTCAC 9% allocation approval meeting; 12/2020 Estimated escrow/loan closing (Date of disbursement of LHTF Program Funds); 12/2020 Estimated construction start; 03/2022 Estimated construction completion.	10%	\$500,000	\$600,000	64 units @25% AMI	City of San Diego
Ulric Street Apartments: 01/2020 CDLAC & CTCAC 4% Applications; 04/2020 CDLAC & CTCAC allocation approval meetings; 09/2020 Housing Commission and Housing Authority final bond authorization; 10/2020 estimated escrow/loan closing/bond issuance (Date of disbursement of LHTF Program Funds); 10/2020 Estimated construction start; 02/2022 Estimated construction completion.	30%	\$1,500,000	\$1,500,000	34 units @ 30% AMI 61 units @ 60% AMI	City of San Diego
Hilltop & Euclid Family Apartments: 09/2020 Housing Commission and Housing Authority final bond authorization; 10/2020 escrow/loan closing/bond issuance (Date of disbursement of LHTF Program Funds); 10/2020 Start of construction work; 11/2021 Completion of construction work.	30%	\$1,500,000	\$1,500,000	26 units @30% AMI 85 units @60% AMI	City of San Diego
Ventana al Sur Apartments: 10/2020 Housing Authority Preliminary Bond Authorization 10/2020 City Council IRS/TERFA Hearing; 01/2021 Applications for TCAC & CDLAC (assumed dates based on 2020 schedule as 2021 schedule has not been released yet); 04/2021 CDLAC & CTCAC allocation approval meetings (assumed dates based on 2020 schedule as 2021 schedule has not been released yet); 5/2021 Housing Commission and Housing Authority final bond authorization; 6/2021 escrow/loan closing/bond issuance (Date of disbursement of LHTF Program Funds); 6/2021 Start of construction work; 6/2022 Completion of construction work.	30%	\$1,500,000	\$1,500,000	25 units @ 20% AMI 45 units @ 40% AMI 30 units @ 50% AMI	City of San Diego
Cortez Hill: 07/2021 Housing Commission Preliminary Bond Authorization, TEFRA Hearing and Loan Recommendation; 06/2022 CDLAC & TCAC allocation approval meeting; 10/2022 Housing Commission Final Bond Authorization; 11/2022 Housing Authority Final Bond Authorization; 12/2022 Escrow/loan closing/bond issuance (date of disbursement of LHTF Program Funds); 12/2022 Construction Start; 10/2024 Estimated Construction Completion	30%	\$1,500,000	\$1,684,000	54 units @ 30% AMI 33 units @ 40% AMI	City of San Diego

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE SAN DIEGO HOUSING COMMISSION TO AMEND ATTACHMENT 1 TO HOUSING AUTHORITY RESOLUTION HA-1903 TO REPLACE THE HILLTOP & EUCLID FAMILY APARTMENTS PROJECT WITH COMMUNITY HOUSINGWORKS' CORTEZ HILL PROJECT FOR USE OF THE STATE OF CALIFORNIA'S LOCAL HOUSING TRUST FUND PROGRAM FUNDS.

WHEREAS, on April 30, 2020, the California Department of Housing and Community Development's (HCD) Local Housing Trust Fund Program (LHTFP) released a Notice of Funding Availability (NOFA) for matching grants for new and existing Local Housing Trust Funds; and

WHEREAS, on July 28, 2020, the Housing Authority of the City of San Diego (Housing Authority), by Resolution HA-1868 (July 28, 2020), authorized the San Diego Housing Commission (Housing Commission) to submit an application in response to the NOFA and commit \$5 million in matching funds; and

WHEREAS, on February 5, 2021, HCD awarded the Housing Commission \$5 million in matching State grant funds to be used for eligible LHTFP projects that create or preserve affordable housing in the City of San Diego (City); and

WHEREAS, in response to a request from HCD staff for a list of LHTFP-eligible projects, the Housing Authority, by Resolution HA-1903 (Apr. 13, 2021), authorized the Housing Commission to revise Resolution HA-1868 to add, as Attachment 1, a list of eligible LHTFP projects that would receive the awarded funds and Attachment 1 was incorporated into Resolution HA-1903 by reference; and

WHEREAS, HCD deemed the Hilltop & Euclid Family Apartments project identified in Attachment 1 ineligible for use of LHTFP funds; and

WHEREAS, the Housing Commission now desires to amend Attachment 1 to replace the Hilltop & Euclid Family Apartments project with Community HousingWorks' Cortez Hill project for use of LHTFP funds; and

WHEREAS, City staff determined this activity is not a project as defined by the California Environmental Quality Act (CEQA) Guidelines section 15378, and therefore not subject to CEQA pursuant to CEQA Guidelines section 15060(c)(3); and

WHEREAS, the Office of the City Attorney has drafted this resolution based on the information provided by Housing Commission staff, and verified by the Housing Commission's General Counsel, with the understanding that this information is sufficient to allow for a proper and complete analysis of this matter; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority of the City of San Diego, as follows:

1. The Housing Commission is authorized to amend Attachment 1, which was adopted by and incorporated into by Resolution HA-1903 (Apr. 13, 2021), to replace the Hilltop & Euclid Family Apartments project with Community HousingWorks' Cortez Hill project for use of LHTFP funds.

2. The Housing Commission's President & CEO, or designee, is authorized to execute all documents and instruments that are necessary and appropriate to implement these approvals, in a form approved by the Housing Commission's General Counsel, and to take such actions as are necessary and appropriate to implement these approvals.

3. The Housing Commission staff will notify the Housing Authority and the San Diego City Attorney's Office about any subsequent amendments or modifications to the transaction and other required documents, including amendments to any documents.

APPROVED: MARA W. ELLIOTT, General Counsel

By _____
Justin R. Bargar
Deputy City Attorney

JRB:sc
09/27/2022
Or.Dept: SDHC
Doc. No. 3097379



The City of San Diego
Item Approvals

Item Subject: State of California Housing and Community Development Local Housing Trust Fund Program Project Revision.

Contributing Department	Approval Date
DOCKET OFFICE	09/14/2022
ENVIRONMENTAL ANALYSIS	09/15/2022

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	09/14/2022
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	09/15/2022
CITY ATTORNEY	BARGAR, JUSTIN	09/27/2022