



EXECUTIVE SUMMARY

MEETING DATE: September 13, 2024

HCR24-070

SUBJECT: Authorization to Apply for State of California Department of Housing and Community Development Local Housing Trust Funds

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Compliance and Equity Assurance

CONTACT/PHONE NUMBER: Debra Fischle-Faulk (619) 578-7411

REQUESTED ACTION:

Authorize and direct the San Diego Housing Commission (Housing Commission) to submit an application on behalf of the City of San Diego to the State of California's Department of Housing and Community Development Local Housing Trust Fund Program in accordance with the July 9, 2024, Notice of Funding Availability (NOFA); commit \$5 million in matching funds; and enter into, execute and deliver a Standard Agreement in a total amount up to \$5 million and any and all other documents required or deemed necessary or appropriate to secure the Local Housing Trust Funds.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On July 9, 2024, the California Department of Housing and Community Development (Department) released a Notice of Funding Availability (NOFA) for approximately \$53 million for the Local Housing Trust Fund (LHTF) Program. The funds provide Matching Grants to new and existing Local Housing Trust Funds established by cities and counties, Native American Tribes and incorporated 501(c)(3) nonprofit organizations.
- Awarded funds can be used to provide construction loans and/or permanent financing loans to pay for construction or rehabilitation of affordable rental housing projects, Emergency Shelters, Permanent Supportive Housing, Transitional Housing and homebuyer/homeowner projects.
- Program 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 (ADUs) or Junior Accessory Dwelling Units (JADUs).
- Use of the funds will also be required to comply with the City of San Diego Affordable Housing Fund program rules.
- It is anticipated that funds will be used to develop multifamily affordable rental housing or permanent supportive housing developments serving households in the City of San Diego with incomes ranging from 30 percent to 60 percent of AMI, currently \$45,450 to \$90,900 per year for a family of four.
- San Diego City Council Resolution R-304523, adopted December 15, 2008, authorizes the San Diego Housing Commission to submit applications to the Department for any LHTF NOFAs the state issues subsequent to the approval of the resolution.
- This application, if selected for funding, would increase funds available for use within the City of San Diego by \$5 million to support the development of future affordable housing developments for San Diegans with extremely low, low and moderate incomes.
- The proposed matching funds approved by this action were included in the Housing Authority-approved Fiscal Year (FY) 2025 Housing Commission Budget. The potential new grant revenues for which the Housing Commission would apply were not included in the approved FY 2025 budget. Approval of this action will increase FY 2025 funding sources and uses available by \$5 million if the application is approved.



REPORT

DATE ISSUED: September 5, 2024

REPORT NO: HCR24-070

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of September 13, 2024

SUBJECT: Authorization to Apply for State of California Department of Housing and
Community Development Local Housing Trust Funds

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Authorize and direct the San Diego Housing Commission (Housing Commission) to submit an application on behalf of the City of San Diego to the State of California's Department of Housing and Community Development Local Housing Trust Fund Program in accordance with the July 9, 2024, Notice of Funding Availability (NOFA); commit \$5 million in matching funds; and enter into, execute and deliver a Standard Agreement in a total amount up to \$5 million and any and all other documents required or deemed necessary or appropriate to secure the Local Housing Trust Funds.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions:

- 1) Authorize and direct the Housing Commission to submit an application on behalf of the City of San Diego to the State of California Department of Housing and Community Development (Department) Local Housing Trust Fund Program for grant funds in an amount up to \$5 million in accordance with the July 9, 2024, Notice of Funding Availability (NOFA).
- 2) If the application is approved, authorize Lisa Jones, the Housing Commission's President and Chief Executive Officer (President and CEO), or designee, to commit \$5 million in matching funds on a dollar-for-dollar basis from the City of San Diego (City) Affordable Housing Fund, as required by the Department's NOFA, and execute and deliver a Standard Agreement as required.
- 3) Authorize the Housing Commission's President and CEO, or designee, to amend the list of eligible projects in Attachment 1, if necessary.
- 4) Authorize the Housing Commission's President and CEO, or designee, to execute any and all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals.

SUMMARY

On July 9, 2024, the California Department of Housing and Community Development released a Notice of Funding Availability (NOFA) for approximately \$53 million for the Local Housing Trust Fund (LHTF) Program. The funds provide Matching Grants to new and existing Local Housing Trust Funds established by cities and counties, Native American Tribes and incorporated 501(c)(3) nonprofit organizations. Funding for this NOFA is provided by 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 Guidelines adopted in April 2020. The application deadline is September 17, 2024.

Awarded funds can be used to provide construction loans and/or permanent financing loans to pay for construction or rehabilitation of affordable rental housing projects, Emergency Shelters, Permanent Supportive Housing, Transitional Housing and homebuyer/homeowner projects. Program 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 (ADUs) or Junior Accessory Dwelling Units (JADUs).

A minimum of 30 percent of program and matching funds must be used toward eligible projects that are affordable to and restricted for households with income at or below 30 percent of Area Median Income (AMI), currently \$45,450 per year for a family of four in the City of San Diego. No more than 20 percent of the total amount of the LHTF Program and matching funds can be expended on eligible projects affordable to and restricted for households with income at or below 120 percent of AMI, \$143,400 per year for a family of four in the City of San Diego. The remaining LHTF Program and matching funds are to be used for eligible projects that are affordable to and restricted for households with income at or below 80 percent of AMI, currently \$121,250 per year for a family of four in the City of San Diego.

Further, use of the funds will also be required to comply with the City of San Diego Affordable Housing Fund program rules. It is anticipated that funds will be used to develop multifamily affordable rental housing or permanent supportive housing developments serving households in the City of San Diego with incomes ranging from 30 percent to 60 percent of AMI, currently \$45,450 to \$90,900 per year for a family of four.

If funds are awarded to the Housing Commission, \$5 million in matching State grant funds would be available for eligible projects that create or preserve affordable housing within the City of San Diego.

Attachment 1 is a short summary of how the Housing Commission commits to use the LHTF Program and matching funds. It is a requirement of the NOFA that must be incorporated in the Resolution as an attachment and labeled as Attachment 1.

San Diego City Council Resolution R-304523, adopted December 15, 2008, authorizes the Housing Commission to submit applications to the Department for any LHTF NOFAs the state issues subsequent to the approval of the resolution.

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AFFORDABLE HOUSING IMPACT

This application, if selected for funding, would increase funds available for use within the City of San Diego by \$5 million to support the development of future affordable housing developments for San Diegans with extremely low, low and moderate incomes.

FISCAL CONSIDERATIONS

The proposed matching funds approved by this action were included in the Housing Authority-approved Fiscal Year 2025 Housing Commission Budget. The potential new grant revenues for which the Housing Commission would apply if this action were approved were not included in the Housing Authority-approved Fiscal Year 2025 Housing Commission Budget. Approval of this action will increase Fiscal Year 2025 funding sources and uses available by \$5 million if the application is approved. Administrative expenses related to the execution of eligible activities may not exceed 5 percent of Program Funds.

Funding sources approved by this action will be as follows:

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

Funding uses approved by this action will be as follows:

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

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. The Housing Commission is in the process of developing a new Strategic Plan.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

The proposed projects were selected through the Housing Commission's Notice of Funding Availability (NOFA). Each developer demonstrated their commitment to equity and inclusion as part of the NOFA process, and this commitment has been documented in the corresponding Board reports.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

The Housing Commission has sought matching grants from the State of California Office of Housing and Community Development Local Housing Trust Fund Program funds on four prior occasions:

City Council Resolution R-298562, passed on November 3, 2003, authorized an application that resulted in an award of \$2 million to the City of San Diego Affordable Housing Fund. These funds were used, in part, to finance three affordable housing developments

City Council Resolution R-304523, passed on December 15, 2008, authorized an application, submitted in January 2009. That application was not selected for funding. In addition, the resolution 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 LHTF Program."

Housing Authority Resolution HA-1617, passed on April 15, 2014, authorized an application that

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Application for California Housing and Community Development Local Housing Trust Fund Program Funding
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resulted in an award of \$1 million to the City of San Diego Affordable Housing Fund. These funds were used for new construction of a permanent supportive housing development.

Housing Authority Resolution HA-1868 passed on July 28, 2020, authorized an application that resulted in an award of \$5 million to the City of San Diego Affordable Housing Fund. These funds were used for new construction of multifamily affordable rental and permanent supportive housing.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

As the proposed projects were previously awarded a Housing Commission loan through the Housing Commission's Notice of Funding Availability (NOFA), the developers have either already presented to the applicable Community Planning Groups for their review and input or will be presenting in accordance with the NOFA guidelines.

KEY STAKEHOLDERS and PROJECTED IMPACTS

This funding opportunity would benefit City of San Diego residents with extremely low to moderate income and affordable housing developers.

ENVIRONMENTAL REVIEW

The application for State funding is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Debra Fischle-Faulk

Debra Fischle-Faulk
Senior Vice President, Equity Assurance
San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments:

- 1) Summary of Proposed Developments
- 2) Authorizing Resolution

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

Attachment 1

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) |
|--|-------------|---------------|----------------|--|-------------------|
| Kindred Apartments: Total of 126 units at 30-60% AMI. Timeline: 08/2024 CDLAC/TCAC 4% allocation approval meeting; 03/2025 Estimated escrow/loan closing/bond issuance (Date of disbursement of LHTF Program Funds); 03/2025 Estimated construction start; 11/2026 Estimated construction completion. | 57% | \$2,850,000 | \$2,850,000 | 63 units @ 30% AMI 22 units @ 40% AMI 12 units @ 50% AMI 28 units @ 60% AMI 1 unrestricted mgr | City of San Diego |
| Navajo Family Apartments: Total of 45 units at 30-60% AMI. Timeline: 07/2024 CTCAC 9% Applications; 10/2024 CTCAC allocation approval meetings; 03/2025 estimated escrow/loan closing (Date of disbursement of LHTF Program Funds); 03/2025 Estimated construction start; 04/2026 Estimated construction completion. | 22% | \$1,100,000 | \$1,100,000 | 8 units @ 30% AMI 2 units @ 50% AMI 34 units @ 60% AMI 1 unrestricted mgr | City of San Diego |
| Hillcrest Hall: Total of 98 units at 30-60% AMI. Timeline: 08/2024 CDLAC/CTCAC 4% application; 12/2024 CDLAC/CTCAC 4% allocation meeting; 04/2025 Housing Authority final bond authorization; 06/2025 escrow/loan closing/bond issuance (Date of disbursement of LHTF Program Funds); 06/2025 Start of construction work; 07/2027 Completion of construction work. | 16% | \$800,000 | \$800,000 | 31 units @ 30% AMI 11 units @ 50% AMI 55 units @ 60% AMI 1 unrestricted mgr | City of San Diego |
| Administration | 5% | \$250,000 | \$250,000 | | |
| Total | | \$5,000,000 | \$5,000,000 | | |

SAN DIEGO HOUSING COMMISSION

RESOLUTION NO. HC - _____

DATE OF FINAL PASSAGE _____

A RESOLUTION AUTHORIZING THE SAN DIEGO HOUSING COMMISSION TO SUBMIT AN APPLICATION ON BEHALF OF THE CITY OF SAN DIEGO TO THE STATE OF CALIFORNIA’S DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT LOCAL HOUSING TRUST FUND PROGRAM IN ACCORDANCE WITH THE JULY 9, 2024, NOTICE OF FUNDING AVAILABILITY (NOFA); COMMIT \$5 MILLION IN MATCHING FUNDS; AND ENTER INTO, EXECUTE AND DELIVER A STANDARD AGREEMENT IN A TOTAL AMOUNT UP TO \$5 MILLION AND RELATED ACTIONS.

A necessary majority of the Board of Commissioners (“Board”) of the San Diego Housing Commission (“Housing Commission”) on behalf of the City of San Diego (“Applicant”) hereby consents to, adopts and ratifies the following resolution:

- A. WHEREAS, the State of California (“State”) Department of Housing and Community Development (“Department”) is authorized to provide up to \$53 million under the Local Housing Trust Fund (“LHTF”) Program from the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1) (as described in Health and Safety Code section 50842.2 etseq. (Chapter 365, Statutes of 2017 (SB 3)) (“Program”);
- B. WHEREAS the Department issued a Notice of Funding Availability (“NOFA”) dated July 9, 2024, under the LHTF Program;
- C. WHEREAS Applicant is an eligible Local or Regional Housing Trust Fund applying to the Program to administer one or more eligible activities using Program Funds; and

D. WHEREAS the Department may approve funding allocations for the LHTF Program, subject to the terms and conditions of H&S Code Section 50842.2, the LHTF Program Guidelines, NOFA, Program requirements, the Standard Agreement and other related contracts between the Department and LHTF award recipients;

NOW THEREFORE BE IT RESOLVED THAT:

1. If Applicant receives an award of LHTF funds from the Department pursuant to the above-referenced LHTF NOFA, it represents and certifies that it will use all such funds on Eligible Projects in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including, without limitation, all rules and laws regarding the LHTF Program, as well as any and all contracts Applicant may have with the Department (“Eligible Project”).
2. The San Diego Housing Commission, the administrator of the City of San Diego’s Housing Trust Fund, is hereby authorized to act as the manager in connection with the Department’s funds to Eligible Projects pursuant to the above-described NOFA in an amount not to exceed \$5,000,000 (the “LHTF Award”).
3. Applicant hereby agrees to match on a dollar-for-dollar basis the LHTF Award pursuant to Guidelines Section 104. Applicant hereby agrees to utilize matching finds on a dollar-for-dollar basis for the same Eligible Project for which Program Funds are used, as required by HSC Section 50843.5(c).
4. Pursuant to Attachment 1 and the Applicant’s certification in this resolution, the LHTF funds will be expended only for Eligible Projects and consistent with all program requirements. The Housing Commission’s President and CEO, or designee, is authorized to amend the list of eligible projects in Attachment 1, if necessary.
5. Nonprofit Housing Trust Funds and Native American Tribe Housing Trust Funds agree to use Program Funds only for Eligible Projects located in cities and counties that submitted

an adopted Housing Element that was found by the Department to be in compliance and that have submitted their Housing Element Annual Progress Report (APR) for the current year or prior year by the application due date.

6. Applicant shall be subject to the terms and conditions as specified in the Standard Agreement, H&S Section 50842.2 and LHTF Program Guidelines.
7. Lisa C. Jones, the San Diego Housing Commission's President & CEO, or designee, is authorized to execute the LHTF Program Application, the LHTF Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the LHTF Award to Applicant, as the Department may deem appropriate.

Approved as to Form
Christensen & Spath

By _____
Charles B. Christensen
General Counsel
San Diego Housing Commission

I certify that the foregoing actions in this Resolution were approved by the San Diego Housing Commission Board of Commissioners at its meeting on _____.

By: _____
Scott Marshall
Vice President, Communications &
Government Relations

Approved: _____
Lisa Jones
President and Chief Executive Officer
San Diego Housing Commission

