San Diego HOUSING COMMISSION

**ITEM 106**

# REPORT

DATE ISSUED: May 8, 2008 REPORT NO: HCR 08-62

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of June 6, 2008

SUBJECT: Amending Affordability Restrictions for Transitional Housing Projects

REQUESTED ACTION:
Raise the affordability level of up to ten percent of units in transitional housing developments assisted by the Housing Commission from 35 percent Area Median Income (AMI) ($27,650 for a family of four) to 50 percent AMI ($39,500 for a family of four), and allow transitional housing program participants whose income increases while in residence to remain in residence.

STAFF RECOMMENDATION:
Authorize existing agreements with providers of transitional housing to be amended 1) to raise the affordability level for up to ten percent of the units from a maximum of 35 percent AMI ($27,650 for a family of four) to a maximum of 50 percent AMI ($39,500 for a family of four) and 2) to allow program participants to remain in residence if their income increases beyond the program's affordability cap, if deemed in the best interest of the Housing Commission.

BACKGROUND:
Individuals and households served by transitional housing that the Housing Commission has helped finance typically have incomes below 35 percent of AMI ($27,650 for a family of four). Consequently, a number of Housing Commission loan and grant agreements with providers of such housing limit affordability to that level, to assure that the neediest (persons with both special needs and very low income) are the primary beneficiaries of the public investment of resources in this type of housing. [Note: HUD considers incomes of 0 to 30% AMI to be "extremely low" and incomes of 31% to 50% AMI to be "very low."]

However, it occasionally happens that a person or household with only slightly more income or personal resources is in urgent need of transitional housing and program services but cannot have that need met at affordable cost. The issue was brought to staff's attention by a request from Ocean Beach Community Development Corporation (OBCDC) (Attachment 1) which, in conjunction with Episcopal Community Services (ECS), provides ten units of transitional housing for women who are victims of domestic violence and their children. The Housing Commission provided a grant to OBCDC to acquire the property where the housing is located (address withheld to protect the residents). Because of the income restrictions in place at the property, ECS could be compelled to turn away a low-income woman fleeing domestic violence if there are no openings at the organization's other facilities, even if there is a vacant unit available at the OBCDC-owned facility.

In reviewing existing restrictions affecting transitional housing projects, staff also noted that some Housing Commission agreements require the housing operators to issue a 30-day or 60-day notice to vacate to a program participant whose income, during residence, increases beyond that program's maximum income. A transitional housing program (typically 18 or 24 months) is structured to help individuals resolve issues and acquire the skills needed to live independently on a permanent basis after leaving the program. If the program operator determines that an individual participant has achieved all goals in less time, then early termination may be appropriate. However, income is not the only measure of ability to achieve and sustain independence, and early termination decisions are better made by the program operator.

In March 2007 (HCR 07-28), the Housing Commission approved amending the affordability restrictions of several small properties with affordability restrictions substantially lower than 50 percent AMI to allow residents and rents up to 50 percent of AMI. All those properties provide permanent, not transitional housing. The primary reason for the change was to provide enough rental income for small properties, which cannot benefit from economies of scale, to operate the properties in good order.

With transitional housing, the reason for raising the income limit of ten percent of units from 35 to 50 percent AMI is not primarily a need for additional operating income. Most of these properties, which derive very little income from rent, receive operating subsidies from various sources that cover at least a portion of their operating expenses. The issue here is to extend vital service-enriched housing to a slightly broader income spectrum. Likewise, the reason for allowing transitional housing residents to remain in the housing if their income increases during residence is not to generate additional revenue for the project but to help the operators of that housing ensure successful outcomes for those it serves.

Approximately six projects and eleven units (ten percent of 108 units) could be affected by changing the affordability restrictions. Allowing residents with income increases to remain in place could affect three of the same projects.

<u>ENVIRONMENTAL REVIEW</u>:

The proposed activity is not a "project" within the meaning of the California Environmental Quality Act (CEQA) and no environmental review is required. Since no federal funds would be committed or expended as a result of this action, review under the National Environmental Policy Act is not required.

<u>KEY STAKEHOLDERS & PROJECTED IMPACTS</u>:

The primary stakeholders would be the direct beneficiaries: persons or households requiring transitional housing, whose income falls between 35 and 50 percent of AMI at the time of intake, and those whose income increases while in residence. (Persons needing this housing whose income is less than or equal to 35 percent of AMI would not be displaced by the action; however, it could reduce availability of housing to them by a small measure.)

Respectfully submitted,

Cissy Fisher
Director of Housing Finance

Approved by,

Carrol Vaughan
Interim President & Chief Executive Officer

Attachment: Letter from OBCDC

ATTACHMENT

**OCEAN BEACH COMMUNITY DEVELOPMENT CORPORATION**

Tel. (619) 224-1648

RECEIVED
OCT 30
SAN DIEGO HOUSING

October 26, 2007

Mary Manaster
San Diego Housing Commission
1122 Broadway
San Diego, CA 92101

RE: REQUEST FOR MODIFICATION OF AGREEMENT WITH OCEAN BEACH COMMUNITY DEVELOPMENT CORPORATION

On behalf of the Board of Directors of the Ocean Beach Community Development Corporation (OBCDC), I am requesting a change in affordability restrictions for the Ocean Beach property that is the subject of a Revocable Grant Agreement ("Agreement"), #96-0001-0014-1, between OBCDC and the San Diego Housing Commission (SDHC).

Originally, the Agreement required the 13 one-bedroom units and one studio unit to be affordable at 80 percent of Area Median Income (AMI), consistent with the Community Development Block Grant (CDBG) rules, since the grant was funded with CDBG money.

The Agreement was later modified, in effect, by SDHC's Grant Agreement with an agency that leased the property for special-needs housing...specifically, for transitional housing for victims of domestic violence…and reconfigured the property into 10 one-bedroom units, with the four remaining units used for ancillary uses supporting the domestic violence recovery program. The affordability level for the 10 units was set at 35 percent AMI. The property continues to serve that function.

The requested change would raise the affordability of one unit, or one-tenth of the total units (as currently configured), to 50 percent AMI, so long as the property is providing special-needs housing under an SDHC-approved program. Affordability restrictions for the other nine units would remain at 35 percent AMI.

The reason for this request is rooted in the urgent situation confronting women and their children escaping domestic violence. At the time they flee, most victims are without funds or sources of income. A few, however, are employed and their income may equal 50 percent AMI. Nevertheless, they need the protected, stable, and affordable housing and program services provided at this and other properties to begin recovery from the trauma of domestic violence and to rebuild confidence and independence. When space is available, it is important to be able to accommodate the occasional family in need who is at this higher (but still very low) income level but who has insufficient resources for other safe and reasonable residency options.

Thank you for considering this change in our Agreement to better serve the housing needs and the families of San Diego.

Sincerely,

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OCT 3 0 20
SAN DIEGO

Curt Lutz
Executive Director

Note:
Please respond with future correspondence to OBCDC's Vice President, Brian Pottenger, at our new mail address:

Ocean Beach Community Development Corporation
P.O. Box 7787
San Diego, CA 92167