



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Inclusionary Affordable Housing Implementation and Monitoring Procedures 2020

San Diego Housing Commission
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Inclusionary Affordable Housing Implementation & Monitoring Procedures



Regulations pertaining to the City of San Diego’s (“City”) Inclusionary Housing Program (“Program”) are incorporated in San Diego Municipal Code (“SDMC”) Chapter 14, Article 2, Division 13 (the “Inclusionary Regulations”). The purpose of this Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual (“Procedures Manual”) is to provide additional detail in the implementation and administration of the Program. In the event of a conflict between a term or provision of the Inclusionary Regulations and any term or provision of this Procedures Manual, the term or provision of the Inclusionary Regulations shall apply. Italicized words are defined in the Land Development Code.

I. Development Review Procedures

Specific development procedures are summarized in the City’s Development Services Department (“DSD”) Information Bulletin 532. *Applicants* constructing *dwelling units* pursuant to the Program will be eligible for expedited permit processing through the Affordable/Infill Housing and Sustainable Buildings Expedite Program as implemented by Council Policy 600-27 [see Information Bulletin 538].

The City decision maker will review applications for *development* and determine whether the proposed *development* is subject to a Process One decision or requires decisions in accordance with Process Two, Three, Four or Five. Any *applicant* of *development* electing to provide affordable *dwelling units* shall be referred to the San Diego Housing Commission (“Commission”) to obtain the documentation required under the applicable Section or Sections.

II. Inclusionary In Lieu Fee Phase In

A. The Inclusionary In Lieu Fee and Section 142.1304 Unit Requirements

The amendment of the Inclusionary Ordinance [the Ordinance] shall take effect and be in force on July 1, 2020 and shall be implemented incrementally so that it is fully effective by July 1, 2024. From July 1, 2020 through June 30, 2021, developers will be required to provide twenty percent of the total percentages of required inclusionary *dwelling units* in Section 142.1304 or pay the Inclusionary In Lieu Fee of \$15.18 per square foot. From July 1, 2021 through June 30, 2022, developers will be required to provide forty percent of the total percentages of required inclusionary *dwelling units* in Section 142.1304 or pay the Inclusionary In Lieu Fee of \$17.64 per square foot. From July 1, 2022 through June 30, 2023, developers will be required to provide sixty percent of the total percentages of required inclusionary *dwelling units* in Section 142.1304 or pay the Inclusionary In Lieu Fee of \$20.09 per square foot. From July 1, 2023 through June 30, 2024, developers will be required to provide eighty percent of the total percentages of required inclusionary *dwelling units* in Section 142.1304 or pay the Inclusionary In Lieu Fee of \$22.55. Beginning on July 1, 2024, developers shall comply with all of the requirements of this Ordinance. Any requirement in the Ordinance to provide additional inclusionary *dwelling units* as a condition of electing an alternative method of compliance shall apply, without reduction, from the effective date of this Ordinance.



The amount of the Inclusionary In Lieu Fee (“In Lieu Fee”) for each *development* shall be the product of the applicable per square foot charge (i.e., the rate) multiplied by the *net building area*, as defined in the San Diego Municipal Code.

B. Five Year Phase in of the In-Lieu Fee and Unit Requirements

The Ordinance shall take effect and be in force on July 1, 2020 and shall be implemented incrementally so that it is fully effective by July 1, 2024.

The In Lieu Fee has been established at \$25.00 per square foot of *net building area* of the unrestricted *dwelling units* in accordance with the provisions of SDMC Section 142.1306. The fee of \$25.00 per square foot, shall be implemented in phases, as follows:

- (1) From July 1, 2020 to June 30, 2021, the In Lieu Fee per square foot shall be \$15.18 per square foot. During this time period *applicants* will be required to provide twenty percent of the total percentage of required affordable *dwelling units* set forth in Section 142.1304.
- (2) From July 1, 2021 to June 30, 2022, the In Lieu Fee per square foot shall be \$17.64 per square foot. During this time period *applicants* will be required to provide forty percent of the total percentage of required affordable *dwelling units* set forth in Section 142.1304.
- (3) From July 1, 2022 to June 30, 2023, the In Lieu Fee per square foot shall be \$20.09 per square foot. During this time period *applicants* will be required to provide sixty percent of the total percentage of required affordable *dwelling units* set forth in Section 142.1304.
- (4) Beginning July 1, 2023 to June 30, 2024, the In Lieu Fee per square foot shall be \$22.55 per square foot. During this period of time *applicants* will be required to provide eighty percent of the total percentage of required affordable *dwelling units* set forth in Section 142.1304.
- (5) Beginning July 1, 2024 to June 30, 2025, the In Lieu Fee per square foot shall be \$25.00 per square foot. During this period of time *applicants* will be required to provide one hundred percent of the total percentage of required affordable *dwelling units* set forth in Section 142.1304.
- (6) Beginning July 1, 2025 and each year thereafter, the In Lieu Fee per square foot shall be updated based upon the annual increase, if any, in the Construction Costs Index (CCI) published by Engineering News Record for Los Angeles, or similar construction industry index selected by the City Manager in the event the CCI index is discontinued. In no event shall the In Lieu Fee decrease in any year of adjustment.

Calculation Example. The CCI adjustment for the period from April 1 to March 31 shall be used to calculate the amount of the In Lieu Fee to allow DSD sufficient time to update its materials and adjust the Fee. For sake of example, in the event that the CCI for the period ending March 31, 2024 increased by ten percent (10%), the In Lieu Fee for the period of July 1, 2025 through June 30, 2026, would be \$25.00 plus 10% of \$25.00 [\$2.50] for a total of \$27.50 per square foot.



The In Lieu Fee for each succeeding year shall be calculated in the same manner. In no event shall the In Lieu Fee be reduced at any annual adjustment date. The Commission shall prepare the analysis and forward the same to the Development Services Department no later than May 1st of the year in which the adjustment is to be effective. For the In Lieu Fee that would be effective July 1, 2025, the updated analysis must be delivered to DSD no later than May 1, 2025 to allow time for DSD to implement the updated fee in a timely manner.

C. Time for determining the In Lieu or Unit Requirement [Vesting Provision]

The Inclusionary In Lieu Fee and the number of *dwelling units* required to be deed restricted shall be determined using the rates and restricted numbers in effect at the time the *applicant's development permit* application, *subdivision* application, or a Building Permit application is *deemed complete*, whichever is earlier. The Inclusionary In Lieu Fee shall be paid on or before the issuance of the first residential Building Permit for the *development* and shall be \$12.73 per square foot of *net building area* for any project with a *deemed complete* application date prior to July 1, 2020.

For an *applicant* with a *deemed complete* application prior to July 1, 2020, that chooses not to pay the Inclusionary Affordable Housing Fee, the inclusionary requirement shall be those requirements in effect prior to July 1, 2020, including the following:

- (1) For-sale residential *development*: At least ten percent of the total *dwelling units* in the *development* shall be made available for purchase at a cost affordable to *median income* households; or,
- (2) Residential rental *development* containing at least 10 percent of the total *dwelling units* as affordable to and occupied by *very low income* households or *low income* households at a cost, including an allowance for utilities, that does not exceed 30% of 65% of *median income* for a period of 55 years, as a result of *applicant's* voluntary pursuit and receipt of tax credits, multifamily housing bonds, below market interest rate loans, grants to facilitate the construction of the *development*, and/or voluntarily enrollment in the Affordable Expedite Program or receipt of direct financial contribution or other assistance.

D. Applicant's Election to Comply with Provisions of SDMC Section 142.1304 and Waive Vesting Provisions.

An *applicant* with a *deemed complete* application for a *development permit* , a *subdivision* , or a Building Permit that would otherwise be exempt from the provisions of SDMC Section 142.1304 effective July 1, 2020, as referenced above, may voluntarily waive such exemption and comply with the amended provisions of SDMC Section 142.1304, as incrementally implemented.



III. Combinations of Affordable *Dwelling Units*

In accordance with the provisions of SDMC Section 142.1304(c), an *applicant* may, at the time of submittal of the application, on forms provided by the DSD, propose a combination of affordable *dwelling units* described in subsections (a) and (b), of Section 142.1304, and as set forth below, provided that the Commission approves the same and the following conditions are satisfied:

- A. The total number of affordable *dwelling units*, either equals or exceeds the number that would have been required, if the proposal had not been made;
- B. In determining if the proposed combination of affordable *dwelling units* provides substantially the same or greater level of affordability and number of units, the Commission shall evaluate deeper affordability, rental housing, for-sale housing and/or any other combination of the same, in the Commission's discretion.
- C. The *applicant* shall provide written justification that the proposal provides equal or greater number of units and/or levels of affordability. The written justification can be any rational justification for the proposal, including interest rates and demand for rental or for-sale units.

Example. Assume that a *development* is comprised of 50 rental units and 50 for-sale units, where the SDMC would require five rental units affordable at or below 60% of AMI and either five of the for-sale *dwelling units* affordable at or below 100% of AMI, or, seven for-sale *dwelling units* affordable at or below 120% of AMI, plus the equivalent of half of the In Lieu Fee for one for sale unit. In this case, for example, the *applicant* could propose three more rental units affordable at or below 60% of AMI, with either, (i) two for sale units affordable at or below 100% of AMI OR five for-sale *dwelling units* affordable at or below 120% AMI. In this case, the total number of affordable units remain the same, but there is additional number of rentals very low-income units, so the Commission could, based upon market and other conditions, approve such a proposal.

The Commission shall use its best efforts to grant a review of the proposal expeditiously to allow the processing of the *development* to proceed smoothly.

IV. Development of Rental or For-Sale Affordable *Dwelling Units*

- A. Sale or lease of the affordable *dwelling units* shall follow the marketing requirements as set forth in Section IX below.
- B. All *development* of affordable *dwelling units* pursuant to the SDMC shall be subject to the following:
 - 1. Each affordable *dwelling unit* and the applicable portions of the *premises* shall have recorded against them, senior to all monetary liens and encumbrances, a



Declaration of Covenants, Conditions, and Restrictions approved by and in favor of the Commission.

2. Any Declaration of Covenants, Conditions, and Restrictions required by the SDMC, shall enjoy first lien position and shall be secured by a deed of trust in favor of the Commission recorded against the applicable portions of the *premises* and affordable *dwelling units*, prior to construction or permanent financing.
3. In the event a subordination of the deed of trust securing the Declaration of Covenants, Conditions, and Restrictions may be necessary to ensure the *applicant's* receipt of adequate construction or permanent financing for the project, or to enable first time home buyers to qualify for mortgages, the *applicant* shall enter into a separate agreement with the Commission for subordination of the deed of trust.

V. Rental Affordable *Dwelling Units*

Rent calculations shall be based on 1/12 of 30% of the applicable AMI and shall include rent and all tenant paid utilities, fees and charges for an affordable household, as adjusted for household size. The current rent levels as adjusted by household size and utility allowance are attached hereto as Exhibit A, and will be updated annually.

VI. For-Sale Affordable *Dwelling Units*.

Pursuant to Section 142.1304(b)(1) and (2), an *applicant* may elect to comply with the Program by providing at least ten percent (10%) of the total *dwelling units* in the proposed *development* as affordable to households at or below *median income*, as adjusted for household size; or, by providing at least 15% of the total *dwelling units* in the proposed *development* as affordable to households at or below *moderate income*, or, any combination of the levels, as approved by the Commission.

A. Maximum Sales Price

The “Maximum Sales Price” for each for-sale affordable *dwelling unit* shall not exceed an amount that is affordable to *median income* or *moderate-income* households, as applicable, and as adjusted for household size. The Maximum Sales Price shall be established based on housing costs that do not exceed 35% of either the *median income* or the *moderate-income* level, adjusted for household size. This amount shall include mortgage principal and interest, taxes, insurance, Home Owner’s Association dues and assessments. The Maximum Sales Price assumes a 5% down payment, payment of taxes and insurance, and prevailing 30-year fixed-rate interest rates.

Sample Maximum Sales Prices and Maximum Income Levels for 2019 for both *median income* and *moderate income* households are set forth in Exhibit “B” to this Procedures Manual and are subject to change annually by the Commission based changes in the AMIs for *median* and *moderate income* households and other factors that affect the Maximum Sales Prices



calculation, including, without limitation prevailing fixed rate 30 year conventional interest rates.

Upon request, the Commission shall prepare and make available to *applicant* any general information that the Commission possesses regarding income limitations, sales prices, occupancy policies and restrictions which are applicable to the for-sale Program. The Maximum Sales Price applicable to specific units restricted at *median income* or *moderate income* will be calculated on a project-by-project basis.

B. Eligibility

Commission shall verify the *applicant's* determination of the eligibility of each prospective buyer and the sales price prior to the close of escrow for any for-sale affordable *dwelling unit*. *Applicants* shall submit documentation for verification to the Commission for a determination of buyer eligibility prior to close of escrow on each for-sale affordable *dwelling unit*. For-sale affordable *dwelling units* under this Program must be owner-occupied, unless the Commission has determined a hardship on a case-by-case basis.

C. Subsequent Sale and Equity

The equity in the for-sale affordable *dwelling units* under the Program shall be calculated and shared between the owner and Commission at the time of the first resale, as set forth in the SDMC.

1. "Resale" means any of the following:
 - a. The sale, conveyance or transfer of all or any part of the for-sale affordable *dwelling unit* or any interest in the for-sale affordable *dwelling unit* by either a *median* or *moderate-income* household;
 - b. If the *median* or *moderate-income* household, is not a natural person, the sale, conveyance or transfer of all or any part or any beneficial interest in the for-sale affordable *dwelling unit*;
 - c. Any refinancing of all or any part of the for-sale affordable *dwelling unit*, except as provided in V(C)(2) below;
 - d. The failure of the *median income* or *moderate-income* household to occupy the for-sale affordable *dwelling unit* as his, her, or their primary residence;
 - e. The leasing of all or any part of the for-sale affordable *dwelling unit*, except where authorized by the Commission for a hardship determined on a case-by-case basis;



- f. Any material breach of the documentation recorded against the for-sale affordable *dwelling unit* in favor of the Commission; or
 - g. The filing of bankruptcy by the owner of the for-sale affordable *dwelling unit*.
- 2. Notwithstanding the foregoing, a refinancing of the for-sale affordable *dwelling unit* shall not be considered a Resale, provided either:
 - a. The principal balance of the *median or moderate-income* loan after the refinancing, does not exceed the principal balance of the household's loan before the refinancing, plus reasonable closing costs; or
 - b. All of the following conditions are met, and provided that the Commission provides advance written consent to the refinancing to the *median or moderate-income* household:
 - i) Such *median or moderate-income* household receives cash from such refinancing, which does not exceed ten percent (10%) of the principal balance of the affected household's first loan before the refinancing;
 - ii) Such cash is borrowed for the purpose of and is used for improvements to the for-sale affordable *dwelling unit*, which improvements are preapproved by the Commission prior to the affected household's obtaining the refinancing; and
 - iii) The total amount of all the loans secured by the for-sale affordable *dwelling unit* does not exceed 100% of the value of the for-sale affordable *dwelling unit*, including payment of the Commission's share of the Equity.
- 3. The for-sale affordable *dwelling unit* shall be resold at no less than fair market value.
- 4. The *applicant* shall adhere to the marketing, monitoring, and enforcement procedures outlined in this Manual. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability.
- 5. "Equity" means the difference between the unrestricted fair market value of the affordable *dwelling unit* on the date of the first Resale, as determined by an appraisal approved by the Commission, and the sum of: (i) the original



unrestricted fair market value of the affordable *dwelling unit* at the time of its initial acquisition, and (ii) the actual costs of any Commission approved improvements to the affordable *dwelling unit*. If this calculation results in a negative number, the equity is deemed to be zero.

D. Equity Sharing by Owner and the Commission

1. Equity in the for-sale affordable *dwelling unit*, shall be shared between the owner and the Commission, as detailed in SDMC Section 142.1304(g)(1). The equity share in the for-sale affordable *dwelling unit* shall occur on the first “Resale” as defined above, and any other triggering events set forth in the note documents and deed of trust drafted by the Commission. The amount of the equity share shall be determined based upon the length of time of ownership at the time of the Resale. Upon the uncured material breach of the terms of the loan documents, the owner shall not be entitled to any sharing in the equity of the for-sale affordable *dwelling unit*.
2. The amount of the equity share to be paid to the Commission and the owner, is set forth in the Table, shown in Exhibit “C” attached hereto and is dependent upon the time of the Resale and is set forth in Exhibit “C.” If there has been no Resale, at the end of 15 years from the date of the purchase of the for-sale affordable *dwelling unit*, and the owner is not in default under the terms of the loan documents, then the owner shall have no further obligation to share any equity on the subsequent Resale of the for-sale affordable *dwelling unit*. However, the Commission shall continue to be entitled to the payment of the note in the original amount of the difference between the fair market value of the property on the date of Resale and the restricted value of the for-sale affordable *dwelling unit* on the date of sale, plus any default interest, if any, at the time of the resale.
3. The Commission may waive the requirement to share equity if the for-sale affordable *dwelling unit* is sold to another *median income* household or *moderate-income* household, as applicable, in compliance with this Manual.

E. Note, Deed of Trust and Declaration

In each for-sale *development*, at the time of the first sale to a household earning a *median* or *moderate income* AMI, the affected household shall execute a note and deed of trust in favor of the Commission, in the amount of the difference between the unrestricted fair market value of the for-sale affordable *dwelling unit*, and the restricted fair market value of the for-sale affordable *dwelling unit*. The term of the note shall be 30 years, and shall require no payment, except at the end the 30 year term, or upon Resale, or breach of the terms of the Declaration of Covenants, Conditions and Restrictions, as set forth above, deed of trust, or the note, when the entire amount of the note, plus any default interest, if any, shall become immediately due and payable to the Commission.



VII. Off-Site Housing

A. Affordable *Dwelling Units* Within Community Planning Area

As provided in SDMC Section 142.1305(a)(2), an *applicant* may elect to provide affordable units pursuant to the Program, that desires to construct the affordable units on a site different than the proposed *development* and within the same community planning area, or within one mile of the *premises of development*, as measured in a straight line from the property lines of the *development premises* to the property lines of the proposed *premises* where affordable *dwelling units* will be constructed.

B. Affordable *Dwelling Units* Outside Community Planning Area

On different *premises* from the *development* that does not meet the locational criteria set forth above, an *applicant* may provide 5% more of the total units as affordable *dwelling units* than are required pursuant to SDMC Sections 142.1304(a) or (b). An *applicant* electing to construct the affordable *dwelling units* on a site different from the proposed *development* site and outside the community planning area shall comply with Section 142.1305(a)(3) of the SDMC.

C. Affordable *Dwelling Units* Constructed by Other Developers

An *applicant* may elect to provide affordable *dwelling units* and satisfy the requirements of the SDMC by the use of affordable *dwelling units* constructed by other developers, including contracting with an affordable housing developer with experience obtaining tax-exempt bonds, low-income tax credits and other competitive sources of financing, upon approval by the Commission.

D. Affordable *Dwelling Units* Through Rehabilitation and Conversion

In complying with the provisions of SDMC Section 142.1307, the valuation verification by the Commission must determine that the value of the affordable *dwelling units* after rehabilitation is 125% of the value of such *dwelling units* before rehabilitation. Land shall be included in making the determination referenced above. All rehabilitation work shall be done to the satisfaction of the Building Official.

The *applicant* must provide a physical needs assessment to the satisfaction of the Building Official, for each affordable *dwelling unit* to be rehabilitated, for the *premises* where the affordable *dwelling units* are located, and for any associated common area. All items identified in the physical needs assessment needing repair or replacement at the time of assessment or that will likely require repair or replacement within three years of the assessment, shall be completed by the *applicant* during the rehabilitation work.

A relocation consultant shall be retained to the extent necessary to ensure that, depending upon the source of funding that the appropriate relocation laws and regulations are met.



VIII. Alternative Development Schedule and Phasing of Units

Subject to and in conformance with the provisions of SDMC Section 142.1304, the following regulations concerning *development* schedules and phasing of units shall apply to Section VIII. A. and VIII. B.:

- A. An *applicant* approved for an alternative *development* schedule may provide affordable units in accordance with a schedule provided for in the conditions of approval. If there is no discretionary permit, then the *applicant* may comply with the following:
 1. Affordable units built as authorized by the SDMC shall be constructed, completed, and ready for occupancy no later than the date that the market rate housing is constructed, completed and ready for occupancy unless there is an otherwise acceptable agreement proposed by the *applicant* for an alternative *development* schedule which is satisfactory to the President & Chief Executive Officer of the Commission, or designee, in conformance with any and all necessary variances, adjustments, and/or waivers referenced within SDMC Section 142.1304.
 2. The timely construction of the affordable units shall be assured by security arrangements satisfactory to the President & Chief Executive Officer of the Commission, or designee, on or before the issuance of the first building permit for any unit in the proposed *development*.

Subject to and in conformance with the provisions of SDMC Section 142.1304, the following regulations concerning *development* schedules and phasing of units shall apply to Section VIII. B.:

- B. In the event that the *development* is proposed to be constructed in phases or the affordable units are proposed to be constructed off-site, an alternative *development* schedule may be approved, subject to a written agreement between the *applicant* and the satisfaction of the President & Chief Executive Officer of the Commission, or designee, such as the following, depending on the variance, waiver, or adjustment granted pursuant to the provisions of SDMC Section 142.1304:
 1. The issuance of building permit for the affordable units shall occur on or before the earlier of: (i) the issuance of building permits for construction of the number which represents 50% of the market rate units within the *development*; or (ii) the date which is eighteen (18) months after the filing of final map for the market rate units, or (iii) a date which is eighteen (18) months after the receipt of the building permit for the first market rate unit if no final map is filed.
 2. Completion of construction of the affordable units shall occur upon the earlier of twelve (12) months after the issuance of building permits for the affordable units as described above; or the date referenced within any approved variance,



waiver, or adjustment granted pursuant to the provisions of SDMC Section 142.1304.

3. The issuance of building permits for the construction of the number which represents 75% of market rate units for the phased *development* shall not occur until the completion of all of the affordable units is authorized by the City, in accordance with the terms of SDMC Section 142.1304.
4. Occupancy of the affordable units by persons meeting the eligibility requirements set forth in this Procedures Manual shall occur not later than 180 days after the completion of construction as determined above.

IX. Ongoing Monitoring

A. Monitoring Pursuant to the Declaration of Covenants, Conditions and Restrictions

The Commission shall monitor all affordable *dwelling units* for compliance with the terms of the Declaration of Covenants, Conditions and Restrictions.

Applicant shall provide the Commission with such documentation relating to the affordable *dwelling units* provided pursuant to the Declaration of Covenants, Conditions and Restrictions concerning affordability of the affordable *dwelling units*, as, and when requested by the Commission. Commission shall periodically monitor, and spot verify the representations and warranties made by the *applicant* in the Declaration of Covenants, Conditions and Restrictions for compliance with the SDMC. The Commission shall determine a reasonable fee to be paid by the *applicant* for the costs incurred by the Commission in connection with implementing and verifying compliance with the terms of the Declaration of Covenants, Conditions and Restrictions. Specifically, Commission will monitor, at minimum, the following:

1. Compliance with all Inclusionary Affordable Housing Requirements as set forth in the SDMC.
2. The affordable *dwelling units* shall be constructed and receive final inspection approval from the Building Official no later than the date that the market rate units receive final inspection approval from the Building Official.
3. The affordable *dwelling units* shall be occupied by households earning income as required in the Declaration of Covenants, Conditions and Restrictions.
4. The inclusionary rental affordable *dwelling units* shall remain affordable for a period of not less than fifty-five (55) years from the date of issuance of a Certificate of Occupancy for the *development* or applicable phase of the *development*.



5. The eligibility of each prospective household shall be certified by the Commission. *Applicants* shall submit documentation for certification to the Commission for a determination of tenant eligibility, prior to tenant occupancy. No *affordable unit* may be rented to a prospective tenant or occupied by any person unless and until the Commission has determined that the prospective tenant or occupant has satisfied the eligibility requirements.

B. Monitoring Fees

1. An initial monitoring fee as set forth in Exhibit “D,” which is attached hereto and made part hereof, and as may be updated from time to time, will be assessed as a one-time charge to cover costs for developing the compliance monitoring plan, computer database program and reporting system for the project, and training sessions for owner/manager. This fee is only applicable to *developments* electing to provide affordable *dwelling units*.
2. Annual monitoring fees will be required for all affordable *dwelling units*. The base monitoring fee per unit is as follows, which fees are subject to periodic adjustment based upon increases in personnel and other costs associated with the monitoring, as set forth in Exhibit “D.”
3. The annual monitoring fee shall be adjusted upward annually for increased costs due to inflation. The adjustment shall reflect the change in the Consumer Price Index for all Urban Consumers (CPI-U) for the County of San Diego.
4. For *developments* that contain for-sale affordable *dwelling units*, a per unit fee, as set forth in Exhibit “D,” will be required for monitoring and determining eligibility for for-sale affordable *dwelling units*. The fee is due upon execution of the Declaration of Covenants, Conditions and Restrictions.
5. In addition, the *applicant* will be required to reimburse actual attorney’s fees incurred in the drafting of the inclusionary legal documents, based upon actual billings.

X. Determination of Inclusionary in Lieu Fees under Existing Agreements with the Commission.

Any requirement to pay the “Inclusionary In Lieu Fee” or “In Lieu Fee” that is contained in any written agreement with the Commission, entered into in order to comply with prior versions of the Inclusionary Regulations, shall be satisfied by payment of an amount equal to the amount of the Inclusionary In Lieu Fee in effect at the time payment is due under the agreement. In the event that the “Inclusionary In Lieu Fee” or “In Lieu Fee” was previously applicable to a project then the amount payable in order to satisfy that obligation contained in the agreement(s) shall be the amount of the In Lieu Fee in effect at the time of issuance of building permit, except that an



applicant may prepay in lieu fees, in effect at the time of the prepayment, in the *applicant's* discretion.

However, this provision setting fees, shall not apply to any agreement(s) that fixed the amount of payment due at a set rate in the agreement(s). In those cases, the amount of payment shall be the amount fixed in the applicable agreement(s) and not the rate in effect at the time that the payment is due.

XI. Commission Responsibilities

Notwithstanding the foregoing description of the Commission's functions, no person or entity, including the *applicant* shall have any claim or right of action against the Commission based on any alleged failure to perform such function.

EXHIBIT A

Exhibit "A" to this Procedures Manual are the 2019 Area *Median Income* level and Applicable Rents by Household Size, for Very Low, Low, Median and Moderate-Income Levels. This Exhibit "A" is subject to revision each year as new AMI limits are promulgated by HUD.

*Gross rent is equal to cash rent plus all tenant-paid utilities. See the "Commission Utility Allocation Schedule" to calculate the tenant-paid utilities based on the project's actual utilities mix. Any fees required

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by owner that would otherwise be optional to the tenant (such as renter's insurance) shall be deducted from the gross rent. These incomes and rent levels shall be adjusted annually based upon the HUD annual modifications of AMI and associated rent levels for households.

SAN DIEGO HOUSING COMMISSION INCOME AND RENT CALCULATIONS

U.S. Department of Housing and Urban Development 2019 SAN DIEGO MEDIAN INCOME:

\$86,300

Note: The table contains income limits for 2019 extremely low, very low and low income, as adjusted for family size and other factors adopted and amended from time to time by the U.S. Department of Housing and Urban Development (HUD). HUD adjusted San Diego Very Low Income limits for a "high housing cost area" factor.

Family Size	Unit Size	Extremely Low Income 30% AMI (Adjusted by HUD)			35% AMI (Adjusted by HUD)			40% AMI (Adjusted by HUD)		
		ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³
ONE	STUDIO	\$22,500	\$563	\$561	\$26,250	\$656	\$655	\$30,000	\$750	\$749
TWO	1-BR	\$25,700	\$643	\$601	\$30,000	\$750	\$702	\$34,250	\$856	\$802
THREE	2-BR	\$28,900	\$723	\$722	\$33,750	\$844	\$842	\$38,550	\$964	\$963
FOUR	3-BR	\$32,100	\$803	\$834	\$37,450	\$936	\$973	\$42,800	\$1,070	\$1,113
FIVE	4-BR	\$34,700	\$868	\$931	\$40,450	\$1,011	\$1,086	\$46,250	\$1,156	\$1,242
SIX	5-BR	\$37,250	\$931	\$1,027	\$43,450	\$1,086	\$1,198	\$49,650	\$1,241	\$1,370
SEVEN	6-BR	\$39,850	\$996		\$46,450	\$1,161		\$53,100	\$1,328	
EIGHT		\$43,430			\$49,450			\$56,500		

Family Size	Unit Size	Very Low Income 50% AMI (Adjusted by HUD)				60% AMI (Adjusted by HUD)			65% AMI (Adjusted by HUD)		
		ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	"Low HOME" ⁴	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	"High HOME" ⁴
ONE	STUDIO	\$37,450	\$936	\$936	\$936	\$44,940	\$1,124	\$1,123	\$48,700	\$1,218	\$1,198
TWO	1-BR	\$42,800	\$1,070	\$1,003	\$1,003	\$51,360	\$1,284	\$1,203	\$55,650	\$1,391	\$1,284
THREE	2-BR	\$48,150	\$1,204	\$1,203	\$1,203	\$57,780	\$1,445	\$1,444	\$62,600	\$1,565	\$1,543
FOUR	3-BR	\$53,500	\$1,338	\$1,391	\$1,391	\$64,200	\$1,605	\$1,609	\$69,550	\$1,739	\$1,775
FIVE	4-BR	\$57,800	\$1,445	\$1,552	\$1,552	\$69,360	\$1,734	\$1,863	\$75,100	\$1,878	\$1,960
SIX	5-BR	\$62,100	\$1,553	\$1,712	\$1,712	\$74,520	\$1,863	\$2,055	\$80,700	\$2,018	\$2,144
SEVEN	6-BR	\$66,350	\$1,659		\$1,872	\$79,620	\$1,991		\$86,250	\$2,156	\$2,328
EIGHT		\$70,650				\$84,780			\$91,800		

Family Size	Unit Size	70% AMI (Adjusted by HUD)		80% AMI (Adjusted by HUD)		100% Area Median Income (No HUD adjustment)		120% AMI (No HUD adjustment)	
		ANNUAL INCOME ¹	GROSS RENT ²	ANNUAL INCOME ¹	GROSS RENT ²	ANNUAL INCOME ¹	GROSS RENT ²	ANNUAL INCOME ¹	GROSS RENT ²
ONE	STUDIO	\$52,450	\$1,311	\$59,950	\$1,499	\$60,400	\$1,510	\$72,500	\$1,813
TWO	1-BR	\$59,900	\$1,498	\$68,500	\$1,713	\$69,050	\$1,726	\$82,850	\$2,071
THREE	2-BR	\$67,400	\$1,685	\$77,050	\$1,926	\$77,650	\$1,941	\$93,200	\$2,330
FOUR	3-BR	\$74,900	\$1,873	\$85,600	\$2,140	\$86,300	\$2,158	\$103,550	\$2,589
FIVE	4-BR	\$80,900	\$2,023	\$92,450	\$2,311	\$93,200	\$2,330	\$111,850	\$2,796
SIX	5-BR	\$86,900	\$2,173	\$99,300	\$2,483	\$100,100	\$2,503	\$120,100	\$3,003
SEVEN	6-BR	\$92,900	\$2,323	\$106,150	\$2,654	\$107,000	\$2,675	\$128,400	\$3,210
EIGHT		\$98,850		\$113,000		\$113,900		\$136,700	

* TCAC = Tax Credit Allocation Committee

1. Annual Income = Gross annual income adjusted by family size for Area Median Income (AMI) level. May contain additional adjustments as determined annually by HUD.
2. Gross rent minus utility allowance = maximum cash rent. See the "San Diego Housing Commission Utility Allowance Schedule" to calculate the utility allowance based on the project's actual utility mix.
3. For projects with multiple funding sources, use the lowest rents applicable and/or apply HUD's MTSP "Hold Harmless" policy. "Low HOME" and "High HOME" rents effective June 28, 2019.

Note: Due to the Housing and Economic Recovery Act of 2008 the data presented in this chart may not be applicable to projects financed with Section 42 Low Income Housing Tax Credits (LIHTC) or section 142 tax exempt private equity bonds (MTSP). If you believe your affordable housing project is affected by this change and have questions regarding Rent & Income limits, please contact Irma Betancourt at irmab@sdhc.org.

This general income and rental rate information is derived from the U.S. Department of Housing and Urban Development very low income figures effective April 24, 2019. HOME Rents effective June 28, 2019.



EXHIBIT B

The Maximum for Sale Income levels and Sample Sales Price. The Maximum for Sale Income Levels as set forth in Exhibit “B” shall be adjusted annually based upon the changes in the AMI, as adjusted for household size, as promulgated by the United States Department of Housing and Urban Development (“HUD”), annually. In addition, the calculation attached is for a Sample Maximum Sales Price. Actual Maximum Sales Prices will be calculated for each *applicant’s* for sale project.

Maximum Area *Median Income* for 2019 are as follows:

**2019 MAXIMUM INCOME
100% AREA *MEDIAN INCOME***

Household Size	Income
One	\$60,400
Two	\$69,050
Three	\$77,650
Four	\$86,300
Five	\$93,200

**2019 MAXIMUM INCOME
120% AREA *MEDIAN INCOME***

Household Size	Income
One	\$72,500
Two	\$82,850
Three	\$93,200
Four	\$103,550
Five	\$111,850

The maximum sales price is set on a project-by-project basis using the property tax rate, current market interest rate and HOA dues. Sales prices are typically set 2 – 4 months prior to construction completion.

Sample Sales Prices for 2019 are as follows:

100% AREA *MEDIAN INCOME*



Unit Size (bedrooms)	*Condominium Maximum Sales Price	**Single Family Residence Maximum Sales Price
Studio	\$234,743	\$263,238
One	\$275,823	\$304,318
Two	\$316,665	\$345,160
Three	\$357,745	\$386,240

120% AREA *MEDIAN INCOME*

Unit Size (bedrooms)	*Condominium Maximum Sales Price	**Single Family Residence Maximum Sales Price
Studio	\$292,207	\$320,702
One	\$341,361	\$369,856
Two	\$390,514	\$419,009
Three	\$439,668	\$468,163

* The sample sales prices for Condominiums are based on a property tax rate of 1.25%, HOA dues of \$300 per month and an interest rate of 5%.

** The sample sales price for Single Family Residences are based on a property tax rate of 1.25%, HOA dues of \$125 per month and an interest rate of 5%.



EXHIBIT C
Equity Share Table

Length of Ownership at the Time of Resale, Refinance, or Transfer	Share of Equity to Household
Months 0-12	15%
Year 2	21
Year 3	27
Year 4	33
Year 5	39
Year 6	45
Year 7	51
Year 8	57
Year 9	63
Year 10	69
Year 11	75
Year 12	81
Year 13	87
Year 14	93
Year 15 or after	100%



EXHIBIT D

Fee Schedule, subject to amendment, annually, based upon increase in direct and indirect costs and overhead for a Full Time Employee [FTE]

Inclusionary Rental Units

An initial monitoring fee of \$2500 will be assessed as a one-time charge to cover costs for developing the compliance monitoring plan, computer database program and reporting system for the project, and training sessions for owner/manager.

Additionally, each year the development shall pay \$150 per monitored unit. The number of monitored units is equal to the total number of units being monitored under the developer agreement(s) with the Commission.

“In the event that the Property utilizes a high volume of monitoring (for example, due to repeated trainings and/or frequent contact to address inaccurate or incomplete reports) the Commission, in its sole discretion, may elect to charge an additional fee based on an hourly rate of \$100.

Inclusionary For Sale Units

For *developments* that contain for-sale inclusionary *dwelling units*, a per unit fee of \$2500 will be required for monitoring and determining eligibility for for-sale inclusionary *dwelling units*. The fee is due upon execution of the Declaration of Covenants, Conditions and Restrictions.

Adjustment of Annual Fee

The Commission reserves the right to revise the Monitoring Fees set forth herein annually based on the Commission’s costs for monitoring functions. In no event shall the monitoring fee decrease.