



# **San Diego Affordable Housing Fund Annual Plan**

Fiscal Year 2006  
(July 1, 2005—June 30, 2006)

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# **SAN DIEGO AFFORDABLE HOUSING FUND**

## **FY 2006 ANNUAL PLAN**

### **INTRODUCTION**

The City of San Diego's Affordable Housing Fund is a permanent, annually renewable source of funds to help meet the housing assistance needs of the city's very low-, low-, and median-income households. The City Council expressed this intent in Municipal Code Sections 98.0501-98.0518. In general, the Affordable Housing Fund's purposes are to:

- 1) Meet a portion of the need for housing affordable to households with very low, low, and median incomes;
- 2) Leverage every one dollar of City funds with two dollars of non-City subsidy capital funds;
- 3) Support the Balanced Communities Policy by fostering a mix of family incomes in projects assisted by the Fund and to disperse affordable housing projects throughout the City;
- 4) Preserve and maintain renter and ownership affordable housing; and
- 5) Encourage private sector activities that advance these goals.

The Annual Plan implements the Council's intent by adopting an overall strategy for use of Affordable Housing Fund moneys. Development of this Annual Plan is guided by the Housing Commission's annual Budget process, as well as the Consolidated Plan, which is required by the federal Department of Housing and Urban Development. The Consolidated Plan identifies priority needs, describes a process to produce coordinated neighborhood and community objectives, establishes the City's housing and community development strategies, and describes specific programs that satisfy federal statutory goals.

The Affordable Housing Fund contains two main revenue accounts: the Housing Trust Fund account and the Inclusionary Housing account. Information for both accounts is provided including revenue forecasts and fund allocation and production.

Allocation of Affordable Housing Fund resources takes into consideration the policy parameters set by the Affordable Housing Fund Ordinance, the availability and requirements of other funding sources, and Housing Commission goals and objectives set forth in the Housing Commission's FY2006 Budget, FY2004-2006 Business Plan and FY2004-2006 Strategic Plan.

The FY2006 Annual Plan includes an estimate of housing needs; the suggested allocation of Housing Trust Fund and Inclusionary Housing Fund forecasted revenues for FY2006; an Ordinance Compliance Analysis for the Housing Trust Fund; and a description of model programs and beneficiaries.

## ESTIMATES OF CURRENT HOUSING NEEDS

The Comprehensive Housing Affordability Strategy (CHAS) developed by the Census for the U.S. Department of Housing and Urban Development provides detailed information on housing needs by income level for different types of households. Detailed CHAS data for the City of San Diego based on the 2000 Census follows:

### Housing Needs of Low and Moderate Income Households in the City of San Diego

Household by Income and Housing Problem	Renters				Owners		Total Hhds
	Elderly	Small Families	Large Families	Total Renters	Elderly	Total Owners	
Ext. Low Income (0-30% MFI)	17%	31%	14%	19%	44%	5%	12%
% with any housing problem	68%	87%	95%	82%	69%	74%	80%
% with cost burden > 50% only	46%	44%	6%	48%	49%	54%	49%
% with cost burden >30% to 50% only	16%	6%	2%	6%	19%	12%	8%
Low Income (31-50% MFI)	15%	35%	18%	16%	48%	6%	11%
% with any housing problem	72%	81%	91%	85%	50%	68%	80%
% with cost burden > 50% only	35%	19%	5%	28%	30%	38%	30%
% with cost burden >30% to 50% only	32%	31%	8%	29%	20%	17%	26%
Moderate Income (51-80% MFI)	9%	34%	14%	21%	39%	12%	17%
% with any housing problem	60%	61%	80%	63%	31%	57%	61%
% with cost burden > 50% only	17%	5%	1%	8%	15%	23%	13%
% with cost burden >30% to 50% only	38%	30%	10%	33%	30%	23%	30%
Total Households	10%	35%	12%	50%	13%	50%	100%
% with any housing problem	55%	51%	80%	52%	26%	34%	43%

Abbreviation: Hhds = Households.

Source: Comprehensive Housing Affordability Strategy (CHAS), 2003.

Housing problems include: 1) units with physical defects (lacking complete kitchen or bathroom); 2) overcrowded conditions (housing units with more than one person per room); 3) housing cost burden, including utilities, exceeding 30 percent of gross income; or 4) severe housing cost burden, including utilities, exceeding 50 percent of gross income. The types of problems vary according to household income, type, and tenure. The data shows that:

- In general, renter households had a higher level of housing problems compared to owner households (52 percent vs. 34 percent).
- Large family households had the highest level of housing problems regardless of income level. Almost all of the extremely low-income (95 percent) and low-income (91 percent) large family renters experienced housing problems. Cost burden was a major housing problem for large families.
- A high percentage of elderly households also experienced housing problems. Approximately 68 percent of the extremely low-income and 72 percent of the low-

income elderly renters experienced a housing problem. Housing issues of elderly households relate more to cost burden issues rather than to overcrowding.

- Extremely low-income households experienced a disproportionate housing need. In this income group, 80 percent of all households had housing problems. Approximately 48 percent of extremely low-income renter households and 54 percent of extremely low-income owner households paid more than 50 percent of their income for housing.
- Approximately 80 percent of all low-income households (31-50 percent of AMI) experienced one or more housing problems. Again, renters experienced a greater need compared to owners, as 85 percent of low-income renters experienced some type of housing problem, compared to 68 percent of low-income owner households in this income group.
- Comprising only 17 percent of the City population, 61 percent of all moderate-income households (51-80 percent AMI) experienced housing problems. Again, renters experienced a greater need compared to owners, as 63 percent of renters experienced some type of housing problem, compared to 57 percent of owner households in this income group. Specifically, moderate-income elderly renter households experienced more housing problems (60 percent) compared to moderate-income elderly owner households (31 percent) in general.

## **SAN DIEGO HOUSING TRUST FUND ACCOUNT**

### Purpose and Use

The San Diego Housing Trust Fund was created by the San Diego City Council on April 16, 1990 pursuant to Ordinance O-17454.

Funds from the Housing Trust Fund account may be used in any manner, through loans, grants, or indirect assistance for the production and maintenance of assisted units and related facilities. To comply with the Ordinance, Housing Trust Fund monies shall be allocated:

- At least 10 percent to Transitional Housing;
- At least 60 percent to very low-income households (defined as households with incomes at or below 50 percent of area median income);
- No more than 20 percent to housing for low-income households (defined as households with incomes between 50 percent and 80 percent of area median income) and
- No more than 10 percent to median income first-time homebuyers.

Revenue Forecast

Approximately \$4.7 million is expected to be available in FY2006, consisting of \$3.2 million in new revenue (Housing Impact Fees, HTF CDBG loan repayments, and Housing Rehabilitation Trust Fund loan repayments) and \$1.5 million in estimated carryover.

Fund Allocation and Production

Funding recommendations are made in accordance with established Housing Commission policies and require Housing Commission or Housing Authority approval of specific projects and activities. Some discretionary transfer of funds between eligible activities is permitted, but all funding recommendations must be consistent with the Annual Plan.

The proposed allocation of Housing Trust Fund funds for FY2006 is as follows:

PROGRAM	BUDGET	% OF BUDGET	PRODUCTION
Rental Housing Development New Rental Housing Existing Rental Housing	\$1,021,796	21%	20 units
Special Purpose Rental Housing	\$1,157,000	24%	25 units
Homeownership Shared Equity Program Downpayment/Closing Cost Assistance Pgm Acquisition with Rehabilitation	\$100,000	2%	10 downpayment grants
Rehabilitation Owner-occupied Rehabilitation Nonprofit Owner-Occupied Mobile Home Repair Grant Accessibility Grants for Tenants with Disabilities	\$834,384	18%	150 units
Transitional Housing Operations	\$1,000,000	21%	450 beds
Nonprofit Capacity Building Predevelopment Financial Assistance Emergency Loan Fund Program Nonprofit Technical Assistance Nonprofit Support	\$80,000	2%	4 projects
Reserves & Targets of Opportunity	\$40,000	1%	
Administration	\$441,645	9%	
Legal	\$60,000	2%	
<b>TOTAL</b>	<b>\$4,734,825</b>	<b>100%</b>	

Since the inception of the Housing Trust Fund in 1991, over \$57 million has been invested in San Diego communities, leading to the production of almost 7,000 affordable units and funding an average of approximately 450 transitional housing beds per year.

HTF Ordinance Compliance Tests

Municipal Code Section 98.0504 sets forth the allocation boundaries for the Housing Trust Fund. To comply with the Ordinance, Housing Program Funds must be allocated:

- At least 10 percent to Transitional Housing;
- At least 60 percent to very low-income households (defined as households with incomes at or below 50 percent of area median income);
- No more than 20 percent to housing for low-income households (defined as households with incomes between 50 percent and 80 percent of area median income) and
- No more than 10 percent to median income first-time homebuyers.

Housing Program Funds are defined as those funds allocated to direct investment in housing. Administration, legal expenses, nonprofit capacity building and uncommitted reserves are excluded from the calculation.

For the FY06 Strategy, the calculation would be as follows:

Total Funds		\$4,734,825
Less Administration, Legal		(501,645)
Less Capacity Building		(80,000)
Less Uncommitted Reserves/Targets		<u>( 40,000)</u>
Equals Housing Program Funds (HPF)		\$4,113,180
<u>Program</u>	<u>Allocation</u>	<u>Percent of HPF</u>
Transitional Housing	\$1,000,000	24%
Very Low-Income (Excluding Transitional Housing)		
Rental Housing Development	1,021,796	
Special Purpose Rental	1,157,000	
Rehabilitation	<u>834,384</u>	
	\$3,013,180	73%
Low-Income (estimated)		
Rehabilitation	-0-	
Homebuyers	\$100,000	2%
Median-Income Homebuyers	-0-	

The FY06 HTF proposed allocation meets the ordinance compliance requirements.

## **INCLUSIONARY HOUSING FUND ACCOUNT**

On June 3, 2003, the San Diego City Council adopted an Inclusionary Housing Program, pursuant to Ordinance O-19189.

### Purpose and Use

The purpose of the Inclusionary Affordable Housing Fund is to ensure that housing opportunities are available for households of all income levels while encouraging diverse and balanced neighborhoods.

Per San Diego Municipal Code Section 98.0505, the priority for expenditure of Inclusionary Housing funds shall be for:

1. Construction of new affordable housing.
2. Other programs administered by the Housing Commission if approved by the City Council in the AHF Annual Plan.

The priority for expenditure of FY2006 Inclusionary Housing funds shall be as follows:

1. Construction of new affordable rental housing, including Special Purpose Housing. Rental units shall be affordable at/below 65% of AMI for a minimum of 55 years.
2. Acquisition and rehabilitation of affordable housing.
3. Homeownership Opportunities – either new construction of affordable for-sale housing or financing programs to encourage and increase homeownership opportunities for low or moderate-income households (at/below 100% AMI)

Whenever possible, revenues will be spent in the Community Planning Area from which the funds were collected, in support of the City's goal of providing economically balanced communities. Should no opportunities for development exist in the Community Planning Area from which funds were collected, staff will make every effort to utilize funds in the nearest Community Planning areas. Funds will be utilized in accordance with the Model Programs.

### Revenue Forecast

Approximately \$7.7 million is expected to be available in FY2006, consisting of \$3.6 million in new revenue and \$4.1 million in estimated carryover.

### Fund Allocation and Production

Funding recommendations are made in accordance with established Housing Commission policies and require Housing Commission or Housing Authority approval of specific projects and activities. Some discretionary transfer of funds between eligible activities is permitted, but all funding recommendations must be consistent with the Annual Plan.

The proposed distribution of Inclusionary Housing funds for FY2006 is as follows:

PROGRAM	BUDGET	% OF BUDGET	PRODUCTION
Rental Housing Development New Rental Housing Existing Rental Housing	\$4,756,361	62%	65 units
Special Purpose Rental Housing – new construction	\$1,000,000	13%	15 units
Homeownership Shared Appreciation Program/ Condo Conversion Assistance	\$890,000	11%	60 households
Administration	\$533,266	7%	
Legal	\$60,000	1%	
Reserves	\$461,846	6%	
<b>TOTAL</b>	<b>\$7,701,473</b>	<b>100%</b>	

In FY2006, up to 11 percent of the funds in the Inclusionary Housing Fund will be used by the Housing Commission to cover the costs of administering the Inclusionary Housing Fund. These costs include those associated with investing the funds through loans or grants including project solicitation, underwriting, the preparation of legal documents, and project management.

#### Geographic Distribution

Priority for spending Inclusionary Housing funds shall be given to the Community Planning Area from which the funds were collected, in support of the City’s goal of providing economically balanced communities. Should no opportunities for development exist in the Community Planning Area from which funds were collected, staff will make every effort to utilize funds in the nearest Community Planning Areas.

The Housing Commission maintains records regarding the amount of money collected from each Community Planning Area and is responsible for reinvesting the funds collected. It is recognized that sufficient funds must be collected and investment opportunities generated in specific geographic areas for a precise match between the area of collection and the use of funds to occur in this manner.

As of April 25, 2005, the Housing Commission has received \$3,230,637. The total amount of In-Lieu Fees collected by Community Planning Area as well as project commitments made to date are shown in the following table. The community areas with the largest collections, and thus the greatest potential for investment, are Carmel Valley, Centre City, La Jolla, Mission Valley, and Uptown.

COMMUNITY PLAN AREA	TOTAL
Barrio Logan	\$25,454
Carmel Mountain Ranch	\$2,165
Carmel Valley	\$490,697
Centre City	\$1,280,403
Clairemont Mesa	\$2,197
Golden Hill	\$5,174
La Jolla	\$232,195
Linda Vista	\$5,722
Mid-City	\$20,116
Mission Beach	\$45,951
Mission Valley	\$673,736
North Park	\$9,516
Ocean Beach	\$2,370
Otay Mesa	\$23,181
Otay Mesa/Nestor	\$69,774
Pacific Beach	\$71,249
Peninsula	\$10,664
Rancho Penasquitos	\$2,040
San Ysidro	\$1,276
Skyline/Paradise Hills	\$1,164
Southeastern San Diego	\$4,244
Uptown	\$251,349
TOTAL	\$3,230,637

For the FY2006 Plan Year, to ensure that funds are available to assist with condo conversion where they occur, investment in affordable housing outside the community planning area of origin is likely to occur; however the location of investments will not significantly adversely impact the City's geographic balanced community objectives.

### **MODEL PROGRAMS OVERVIEW**

Funding is allocated on an annual basis among the various activities authorized by Chapter 9, Article 8, Division 5 of the San Diego Municipal Code.

To assure that the City serves its residents in the best possible manner, the Housing Commission continues to solicit ideas for improving the Model Programs to better respond to community needs for affordable housing and quality neighborhoods. As such, Model Programs may change from time to time; they are not intended to preclude investment in an opportunity that is not specifically described in the Model Programs Section.

The following is a general description of the possible investment activities planned for FY2006. All but Rental Assistance are proposed for funding in this plan. These activities are described more fully in Attachment A.

### Rental Housing Development

Advantageous financing to developers of units with below-market rents. Program includes deferred loans, below market interest rates, and matching funds for State, Federal, and private financing. Housing Commission Policy PO600.301 contains additional information regarding the Housing Commission's financial participation in housing development, acquisition with rehabilitation, and large rehabilitation projects.

### Special Purpose Rental Housing

Advantageous financing to developers of transitional housing or affordable units with related services that serve persons qualifying under federally or locally determined Special Needs or Special Purpose categories. Program includes deferred loans, below market interest rates, revocable grants, land banking, matching funds for State, Federal and private financing. Housing Commission Policy PO600.301 contains additional information regarding the Housing Commission's financial participation in housing development, acquisition with rehabilitation, and large rehabilitation projects.

### First-Time Homebuyers

Junior loan/grant and new construction programs targeted toward first-time homebuyers with the ultimate goal of neighborhood stabilization and revitalization.

### Housing Rehabilitation

Rehabilitation programs that provide below-market interest rate amortizing loans for the rehabilitation of deteriorated or functionally obsolete units. Units must be owner-occupied, single family to four-plex or mobile home.

### Transitional Housing Operations

Grants and loans to nonprofit agencies for operation of transitional housing, acquisition or leasing of facilities, or improvements to facilities. No more than 25 percent of Transitional Housing Program funds may be used for administration and supportive services. At least 10 percent of Housing Trust Fund program funds must be dedicated to Transitional Housing activities (operations and development).

### Nonprofit Capacity Building

Programs for nonprofit developers include project-based financial assistance and technical assistance.

### Rental Assistance

A program designed to assist low-income residents achieve self-sufficiency by providing limited amounts of rental assistance.

### Reserves and Targets of Opportunity

A reserve fund that provides flexibility to transfer resources among eligible activities and to take advantage of low-income housing opportunities that present themselves during the course of the year. The reserve fund also provides for a contingency reserve and allows for reimbursement of housing impact fees when building permits expire without the commencement of work.

### Administration

Funds to provide reasonable compensation to the City of San Diego and the Housing Commission for services related to the administration of the Affordable Housing Fund and related housing programs.

### Legal

Expenses to obtain legal services and prepare loan and grant agreements and related documents.

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