

Housing & Community Development News

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Section 8 Cuts Affect County

The Federal Housing and Urban Development Department (HUD) has changed the method of funding the Rental Assistance Program, Section 8. HUD has interpreted Congressional changes to mean that funding for each housing authority will be limited to the funding payment amount at the August 1, 2003 level, with an inflation factor. Previously, HUD had reimbursed local housing authorities their actual costs for a fixed number of vouchers. The funds would be increased to keep pace with the cost of housing in the local market.

Under the new formula, HUD will only pay based on last August's voucher costs with an inflation factor. The new formula means that any increase in rent costs since last August will have to be made up with reserves or program cuts. If allowed to continue, future cost increases that exceed the inflation factor will result in fewer vouchers or reduced payments to landlords. This is in spite of the fact that Congress authorized Section 8 spending for this year based on full funding of the number vouchers allowed.

In essence, HUD has arbitrarily implemented President Bush's proposed block grant program that Congress rejected last year.

This has the potential to leave more people homeless than the San Diego Wildfires of 2003 which destroyed or damaged 3,500 structures. The cuts from this year will affect at least 4,500 vouchers administered by the County alone. The FY 2004-2005 budget adopted by the House reduces voucher funding and permits HUD to continue to use the new method.

The following are the actions taken by the San Diego County housing authorities to address these changes.

San Diego County Housing Authority

(Affects the unincorporated area of San Diego County, or in Chula Vista, Coronado, Del Mar, El Cajon, Escondido, Imperial Beach, La Mesa, Lemon Grove, Poway, San Marcos, Santee, Solana Beach, or Vista.) In order to maintain assistance to as many families as possible, the County's housing authority will be reducing its payment standard, meaning reducing the amount of assistance for many Section 8 recipients. The Section 8 payment standard will be reduced from 110% to 95% of fair market rents. The County has determined that roughly 4,500 Section 8 contracts will be affected of their nearly 13,000 total contracts. To implement this reduction, current Housing Assistance Payment (HAP) contracts will

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be terminated, as of June 30, 2004, and replaced with new contracts at the new level of assistance.

City of San Diego

To meet funding shortfalls in the month of June, the City's Housing Authority authorized the reallocation of funds budgeted for other programs and cost-saving measures. To ensure continued rent payments into the new fiscal year, beginning July 1, the authority has been authorized to implement a number of options for reducing program costs, such as:

- Reducing the Voucher size (number of bedrooms on a voucher)
- Reducing payment standard (the maximum amount payment per voucher size)
- Minimize the impact of rent increases on the program

These program changes are expected to be implemented in late July or early August.

Housing & Community Development News

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**Deadline For Submission of Articles and Art:
The Fifteenth of the Month**

City of Carlsbad

At this time, the City of Carlsbad will be eliminating the exception for extra bedrooms for medical reasons. This change will be introduced as part of the re-certification process beginning in October.

City of Encinitas

At this time, the City of Encinitas has not made any decision to change the current program however, future changes will be necessary to sustain the program. Possible modifications include changes to the payment and subsidy standards.

National City

The City of National City has determined that no changes are needed to their housing assistance plan at this time. They will be monitoring the program to determine if any changes will be needed in the long-term.

City of Oceanside

The City of Oceanside is reducing their payment standard down from 110% to 100%. This will take affect as of July 1. Additional changes will be considered in the future, if needed.

HOUSING FEDERATION NEWS

Member News

The **Corporation for Supportive Housing** announced that **Jonathan Hunter** has been appointed as California Program Officer.

D. Todd Philips joins the San Diego Housing Commission as policy advisor to the president & CEO. In this capacity, Philips will advise the Housing Commission on policies such as inclusionary housing, condominium conversions and Single Room Occupancy ordinances. His duties will include analyzing legislative issues on the federal, state, and local levels. Philips' background includes working as a representative for Councilmember Peters, in which he advised the councilmember on issues concerning public policy, environmental, infrastructure and development issues. Philips holds a juris doctor degree from the University of San Diego School of Law, a masters degree in public administration from the University of Houston. Philips and his wife, Elizabeth, live in South Park.

Strategic Planning Session

The San Diego Housing Federation Board of Directors will be reviewing and updating the Strategic Plan at the September 15th Meeting. All Federation members and friends of the Federation are encouraged to comment to the Board on the direction the Federation has taken and where they believe the Federation should be headed. Comments can be sent to board@housingsandiego.org. Communication with the Board is welcome at anytime throughout the year at this address.

San Diego Housing Federation's 13th Annual Affordable Housing & Community Development Conference

"Building Our Future – Breaking New Ground"

October 15th, 2004
Point Loma Nazarene University
San Diego, CA

PRELIMINARY CONFERENCE SCHEDULE

8:00 - 8:30 Registration & Breakfast

8:30 - 9:30 Welcome & Keynote Speaker

9:30 - 9:45 BREAK

9:45 - 11:00 Workshop Session I

- *Project Financing: Financing Mixed Use Projects Case Studies*
- *Design & Development: Place-Making for Affordable Housing*
- *Working Together: Growing Tenant Leaders*
- *Supportive Housing: Supportive Housing for Emancipated & Homeless Youth*
- *Innovation: Manufactured Housing - It's Not What You Think*

11:00 - 11:15 BREAK

11:15 - 12:30 Workshop Session II

- *Project Financing: What's New From the State*
- *Design & Development: Mi Pueblo*
- *Working Together: Housing Advocacy through Coalitions*
- *Supportive Housing: Supportive Housing for Substance Users*
- *Innovation: Altered States - Adapting Non-Residential Buildings into Affordable Housing*

12:30 - 1:45 Lunch & Mayoral Candidates Forum (tentative)

2:00 - 3:15 Workshop Session III

- *Project Financing: Tax Credits 15 Year Exit Strategies*
- *Design & Development: Brave New World: Confronting the Challenges of High Risk Affordable Housing Development*
- *Working Together: California Housing Trust Fund Financing Campaign*
- *Supportive Housing: Supportive Housing for Ex-Offenders*
- *Innovation: Greening of Affordable Housing*

3:30 to ? Happy Hour at the Brigantine - No Host Refreshments and Fun

Program, Registration & Sponsorship Information is Available online:

<http://www.housingsandiego.org/2004conferencepage.htm>

Housing Activists Criticize City's Progress

It's been nearly two years since the San Diego City Council declared a housing state of emergency and 15 months since the Affordable Housing Task Force issued its recommendations. Housing advocates believe that the city is not acting quickly enough on the problem. City officials claim to have a better track record, by far, than former city councils and point out the complexities of the issues surrounding the shortage of affordable housing in the city.

Former City Manager Jack McGrory, who chaired the city's Affordable Housing Task Force, is a vocal critic of the City Council's progress on housing issues. McGrory is especially concerned about the lack of funding being allocated to the creation of affordable housing.

Mayor Murphy defends the Council's progress. "I am disappointed that Jack McGrory, a former city manager, would not understand the role of the mayor and council to allocate resources. While the housing need is great, our first priority is making sure police and fire departments are adequately staffed and equipped, and secondly, to be sure the city operates on a sound financial basis. We simply cannot afford to do everything he would like us to do."

In a progress report delivered this week to the council, city officials noted that over the last two years more than 5,000 affordable housing units either have been built or are in the development process. This is substantially more than in the previous ten years. New legislation has been passed requiring developers to include affordable units in their projects or pay an in-lieu-of fee. Most builders choose to pay the fee and this will net \$3.6 million for the housing fund. Redevelopment tax revenues totaling \$55 million have also been added to the pool of housing funds.

Other new legislation passed this year included the controversial renters' rights ordinance. The city also developed an expedite program to speed up the processing of affordable housing projects.

There has been no action by the City Council on the Task Force's recommendation to appoint a "Housing Czar" who would coordinate all housing issues for the city.

In spite of the advances that have been made, the housing advocates point to the failure of the council to authorize significant new revenue sources for affordable housing as the primary cause for concern about the progress being made by the city. In the fifteen months since the Housing Task Force made its recommendations, most of the group's funding recommendations have failed to gain council support.

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Among the recommended funding proposals was an increase in the hotel room tax, and the revenue raised from the rate increase would subsidize affordable housing development. On Tuesday, the council agreed to place before voters in November an increase in the room tax, but decided that none of the revenue would be earmarked for specific uses.

The Council has not yet taken up the question of the \$1 billion bond issue that the task force recommended. The suggested bond would be financed with a monthly parcel tax levied on all homeowners. The money would be spent on upgrading aging infrastructure in the city's older communities. City Councilwoman Toni Atkins, who considers affordable housing her "top issue," stresses the importance of upgrading the infrastructure, much of which is inadequate due to deferred maintenance or increased demands.

"We have got to start talking about when we're going to do an infrastructure bond issue," said Atkins. "The communities will be more accepting of density if they have the infrastructure in place to make it work."

City Councilwoman Donna Frye has also taken on affordable housing as a priority concern. She warns about over-simplifying the problem or the solution. For instance, there are long-term repercussions of re-zoning commercial land for residential use. And there are complex infrastructure issues that cannot be dealt with in isolation but only from the perspective of the big picture.

And there are issues that cannot be resolved through political action alone. The "Not in My Back Yard" syndrome is still a factor to be dealt with. Public education, collaboration among community organizations, and effective advocacy programs are all needed to win acceptance for affordable housing developments in established neighborhoods.



Vista Sells Aging Mobile-Home Park

Vista's Community Development Commission bought an aging mobile-home park from the city this week. The sale increases the intensity of the debate over how the land will be used. It is being eyed by residential developers, parkland advocates, and city officials who are supporting the development of affordable housing.

In 1989 the city of Vista bought the 13-acre property, Sycamore Creek Mobile Home Park, by issuing bonds with the promise to keep the site as affordable housing. It paid \$4.5 million and assumed \$950,000 in debt on the property to preserve its 117 low-income housing units. But rising maintenance costs and reduced income have made Sycamore Creek too expensive for Vista to keep as a mobile-home park.

The property has an outstanding debt of approximately \$5.3 million. The city set aside \$1.5 million to relocate Sycamore Creek residents. It estimates it will need another \$3.8 million to pay off the debt on the site.

While city officials want to see some affordable housing developed on the property, many Vista residents favor turning the area into a public park. City officials estimate that turning the property into a park would cost Vista approximately \$10 million. Current budget restraints make this an unlikely outcome.

Developers presented their conceptual plans to the City Council on Aug. 24. The plans call for residential lots. The developers have offered up to \$5 million for the property, with plans calling for 53 to 67 homes, plus apartments for seniors.

Poway Buys Lot for Affordable Housing

Last month the Poway City Council unanimously approved the city's purchase of a 2.57-acre lot next to Hilleary Park, after hearing that the move will allow a future low-income housing project to be expanded.

The city report identified the 2.57-acre lot as the last available vacant land in Poway that is zoned for residential apartments.

Poway will pay \$200,000, plus \$24,300 in related costs, to acquire the land, which is south of Hilleary Place and west of the end of Wanesta Drive.

City officials sought the purchase because the property is next to a 2-acre, city-owned lot already earmarked for the construction of an apartment complex for low-income families. The city is negotiating with the nonprofit developer **Community HousingWorks**, who wants to build and manage the complex.

HUD Publication Recognizes San Diego's Expedite Program

San Diego recently received the San Diego Housing Federation's "Outstanding Local Government Support" award for the City's Affordable Housing Expedite Program. The Program, created after the City Council declared a city-wide housing state of emergency, streamlines the application process for affordable housing developments or developments that use sustainable energy technology.

In 2003, the San Diego City Council recognized that the City's severe lack of affordable housing was having an adverse impact on many of San Diego's residents, including those who work in the City's health care, education, biotech, and tourism industries. As part of an overall effort to ease this problem, the City adopted an inclusionary housing ordinance, set-aside funds for new affordable housing, and created the Affordable/In-fill Housing and Sustainable Buildings Expedite Program.

The Program consists of a number of features to increase private sector participation in creating affordable housing.

- Mandatory Initial Reviews
- Easily Accessible Information
- Committed Staff
- Reasonable Fees
- Flexible Priorities to Control Workload

Accomplishments

The Program is just over a year old, and in that time, the City has processed 23 projects comprising over 2,250 units. Of those units, over 2,170 are new affordable units and 80 are sustainable units. The City has approved discretionary permits for four projects, but none have yet applied for building permits as of July 2004. Westlake says that the processing time is twice as fast as under the old review process. While he admits that many of the projects would have been built without the Program, he believes that these much-needed housing resources will be on-line much quicker than before. He also states that several developers have indicated to him that they have added affordable units to the project mix in order to qualify for expedited processing.

Keys to Success

According to Westlake, there are a number of factors that have contributed to the success of the Program.

- **Meetings with Developers:** One key to the program's success is the meetings staff conduct with developers before plans and proposals are submitted to the City. In addition, the mandatory preliminary review meeting

also serves as an important milestone in making the review process run smoothly.

- **Commitment by the Development Community:** The \$500 per unit fee has resulted in developers being more conscientious about submitting the appropriate material in a timely fashion.
- **City Staff Resources:** Westlake attributes the City's staff commitment as one of the keys to the success of the Program. Each of the City's departments is represented by staff who genuinely wants the best projects possible for the City. Their commitment, coupled with the City's commitment to have them work exclusively on these types of projects, is a major factor in the success of the Program.
- **City Communication:** Staff comments are provided via email, so that each of the other departments can promptly be made aware of issues being raised by other departments. If the conflict cannot be resolved, it is immediately forwarded to the department head and is usually settled within two days.

Problems Remain

Ironically, the success of the Program could be its downfall. Because so many people are participating in the Program, in May 2004, staff had to curtail expedited reviews for all but the top three priorities listed in the original City Council Program. While City officials are working to secure additional staff for the program, there will inevitably be delays in processing requests for projects that are not deemed a priority.

The other concern with the Program is that it has not reduced NIMBYism or local opposition to affordable housing. While the Council remains committed to the Program and staff recommendations have garnered strong political support, neighborhood opposition remains and has the potential for slowing the review process.

More Information

For more information on this effort, visit our web link at: <http://www.huduser.org/rbc/search/rbcdetails.asp?DocId=644>

CCDC Proposes Downtown Developers' Fee

The City Council asked the Centre City Development Corp., the downtown development agency, to develop a plan to raise \$148 million to pay for infrastructure improvements. The CCDC's recently released proposal is to raise the money over the next 20 years by assessing fees on condominiums, offices and hotels built during that period. The council is expected to vote on the fee in October.

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AROUND THE COUNTY

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The downtown area has become a major growth center. The current population is around 20,000 and it is estimated to reach 80,000 by 2025. The funding is primarily needed for parks and fire stations.

Most of the developers and community leaders who attended a workshop on the issue seemed resigned to the plan. San Diego charges developers impact fees in all communities except downtown. The fee was waived there to promote redevelopment when few builders wanted to invest downtown a decade ago. Some participants at the meeting agreed that the fee ought to be waived for certain projects, such as affordable housing.

The fee, called a “development impact fee,” would be an estimated \$3,660 per residential unit and \$1.86 per square foot for office buildings and hotels.

Escondido’s First-Time Home Buyers Get Big Boost

The city of Escondido and the nonprofit Community HousingWorks have combined services to offer low- and moderate-income people more assistance in buying their first home. Officials said the partnership is the first of its kind in North County.

The city recently increased its low-interest loans to qualifying first-time homebuyers from \$10,000 to \$25,000. Community HousingWorks also offers similar loan programs. Now, the two entities have joined forces to offer low-interest loans of up to \$60,000 for qualifying low- and moderate-income applicants.

The new partnership offers seven loan programs for a variety of circumstances: people with large extended-family households, young adults needing parents to cosign on a loan, non-citizens and singles. Buyers may take advantage of all programs that apply to them.

Qualifying annual incomes range from \$24,000 for a single person to more than \$100,000 for a household of eight. A household is defined by those who live in the house regardless of relationship, age or dependency. A first-time home buyer is considered someone who has not owned a home in three years.

Repayment of the city’s or the nonprofit’s loan can be deferred until the person sells, transfers title, refinances or no longer uses the home as their primary residence.

Community Housing Works is currently working on creating a similar partnership with the city of Poway. The nonprofit can be reached at (619) 282-6647. The Escondido housing office can be reached at (760) 839-4532.

AROUND THE STATE

New Financing Tool Saves Time, Money

Union Bank of California’s Community Development Finance group has introduced a new combined construction and permanent loan product to help affordable housing developers save time and money, while reducing operational risk. For construction loans lasting up to two years and for permanent loans lasting up to 30 years, developers now need to complete only one set of loan documents.

The program allows for a \$1 million to \$20 million loan for the acquisition and construction or rehabilitation of multifamily residences in low- to moderate- income areas of California, and a permanent loan of \$1 million to \$5 million. At least 80 percent of the units must be available to tenants who qualify at 60 percent or less of area median income.

“Our goal was to streamline processes for our clients, as well as reduce legal fees and other associated costs,” says Senior Vice President Jim Francis. According to Francis, the program could shave weeks off of the time needed to close a transaction and save a client between \$15,000 and \$30,000.

Lynn Wehrli Appointed as New Executive Director of TCAC

Lynn Wehrli has been appointed Executive Director of the California Tax Credit Allocation Committee. The Committee operates a federal and state low-income housing tax credit program to encourage private investment in the development of affordable rental housing. The tax credit program enables affordable housing developers to raise funds for projects through the sale of tax benefits to investors.

Ms. Wehrli has extensive experience in affordable housing finance, most recently serving as Director of Housing Development for the New Mexico Mortgage Finance Authority since 1993. Ms. Wehrli has a master’s degree in Public and Private Management from the Yale School of Management and a master’s degree in City Planning from the Massachusetts Institute of Technology. She received her bachelor’s degree in Urban Community Organization from Cornell University.

State Reorganization Plan Recognizes Housing as Infrastructure

After six months of researching and interviewing stakeholders—including HCA and other members of the nonprofit housing community—the Governor’s California Performance Review (CPR) team officially released its state government reorganization plan on August 3, 2004.

The reorganization plan marks the first major statement by the Schwarzenegger administration that housing is part of the state’s vital infrastructure. It also contains exciting policy proposals—a single application for state housing funds—and others that need significantly more investigation.

Overview

Four volumes totaling 2,504 pages comprise the CPR report: the first volume summarizes the other three volumes; the second contains the proposed restructuring of state departments; the third evaluates the state’s fiscal management; and the fourth contains over 1,200 recommended policy changes.

The CPR team of 275 state employees and outside consultants recommended a vast restructuring of state departments, including:

- Consolidating 91 agencies and departments into 11 departments.
- Eliminating 118 boards and commissions.
- Cutting state staff by 3.8% or 12,000 workers.

These structural changes are estimated to save the state \$9 billion. Additionally, the CPR team estimates its policy changes would save the state \$32 billion over five years. The single largest chunk of funds, \$8 billion, would result from seeking increased federal funding; other large segments would come from combining eligibility requirements for state aid programs such as Healthy Families, CalWORKS, MediCal and food stamps (\$4 billion) and collecting more fees to pay for maintenance of the transportation system (\$2 billion).

New Infrastructure Department

The report includes both structural changes to the Department of Housing and Community Development and policy changes in specific housing programs. On the structural side, “The Infrastructure Department” (Vol. 2, Ch. 7) and “Consolidating and Coordinating State Infrastructure Planning and Programming” (Vol. 4, Ch. 4) examine housing in the context of all infrastructure funded by the state and identify three problems with the existing system:

1. California lacks an integrated infrastructure policy and funding system. Transportation, housing, water, and energy policy and funding decisions are made in “silos,” without considering the impact on other infrastructure needs. “Insufficient coordination causes state and local governments to spend millions of dollars on infrastructure that is not focused on the highest priority needs and, in fact, contribute to growth patterns that require significant long-term investment for operation and maintenance. These growth patterns may also contribute to further environmental degradation, depletion of needed farmland and forests and may not be sustainable over the long term.”

2. Infrastructure investment lacks stable funding. In a boost for HCA’s efforts to create a dedicated funding stream for the state’s housing trust fund, the report states “Building a sound infrastructure system is a task that requires consistent and long-term financial support.”

3. For some types of infrastructure, multiple agencies have jurisdictions and must conduct reviews or provide approvals.

To overcome these deficiencies, the CPR team urges the creation of an Infrastructure Department that would consolidate some or all of the functions of 32 existing state entities, including the Department of Housing and Community Development, the Tax Credit Allocation Committee, the Governor’s Office of Planning and Research, and CalTrans. Notably, neither CalHFA nor the CA Debt Limit Allocation Committee would be merged into this department. CalHFA reportedly convinced the CPR team that any merger would threaten its bond rating, which is considerably higher than the state’s. CPR staff considered including CDLAC in the new department, but ultimately chose not to because it funds more than infrastructure, e.g. student loans. Echoing a holistic approach found throughout sections of the report, the CPR team recommends that the department aim to “integrate transportation and housing to achieve sustainable communities.”

An “Infrastructure Authority” would serve as the department’s board of directors, chaired by the department’s secretary; it would provide overall director for the department by adopting long-term infrastructure plans based on AB 857 (Wiggins, 2002) and AB 1473 (Hertzberg, 1999) and approving infrastructure policies. The authority would also allocate housing tax credits.

A Planning, Programming and Evaluation Division would develop the department’s long range plan, formulate regional transportation plan guidelines, and develop general plan guidelines, among other duties. A Research and Development Division would create a seven-year

infrastructure research program. The Infrastructure Financing Division would absorb the current duties of the State Infrastructure Bank and provide similar services for all bond and financing programs for infrastructure projects.

Six “operating” divisions would oversee infrastructure development: Transportation; Water; Energy; Housing, Buildings, and Construction; Telecommunications; and Boating and Waterways. An undersecretary would head each division.

The Housing, Buildings, and Construction Division would consolidate functions of HCD, Dept. of General Services, State Building Standards Commission, and Department of Finance, Department of Community Services and Development and six other entities. Certain responsibilities of TCAC would be transferred to either this division or the Infrastructure Financing Division. The division would perform all functions related to the maintenance, operation and construction of facilities, including housing and school construction. Among the division’s specific duties would be developing and administering housing policies, administering housing grants and loans, and enforcing housing regulation programs. It also would “provide input” to the Planning Division on general plan guidelines and housing element. The latter recommendation is deliberately vague; CPR staff has not yet decided which division—Housing or Planning—should review housing elements.

<http://www.report.cpr.ca.gov/cprprt/frmfunc/ch7.htm>

<http://www.report.cpr.ca.gov/cprprt/issrec/inf/inf18.htm>

Housing policy recommendations

In addition to structural changes, the CPR recommends four changes to housing programs and funding in “Supply of Affordable Multi-Family Housing is Inadequate.” (Vol. 4, Ch. 4, INF21)

The report labels the housing element process as ineffective and expensive with “few incentives to encourage local government compliance and accountability.” The latter charge, based on the 2003 Public Policy Institute study, is included to support the report’s first recommendation: the state’s housing agency should expand housing element self-certification and begin to certify general plans every five years. The report does not explain the link between self-certification of housing elements and state certification of general plans nor does it contain any details about recommended criteria for self-certification.

Recommendation #2 suggests the creation of a State Lending Task Force to develop a **single application for**

state housing subsidies. The report cites other states—Washington, Massachusetts, Michigan—that have consolidated the functions of California’s four state housing entities into one or two agencies and introduced a single application for all their subsidy programs.

The third change urged in the report is to divert \$10 million from the Tax Credit Allocation Fee Account (account) to “a new multi-family housing model such a REIT.” This account receives the fees paid by applicants to cover TCAC’s operating costs, including compliance monitoring. Currently, the account holds approximately \$29 million in reserves.

The CPR report spends considerable space touting REITs [Real Estate Investment Trusts], which finance, purchase, and manage multifamily housing properties. According to CPR staff, state housing funds invested in REITs could produce the same number of homes at the same affordability level of the current programs and provide a rate of return to the state.

Finally, the CPR recommends legislation to require redevelopment agencies to spend their 20% housing set-aside within three years or forfeit it to a state dedicated housing fund.

<http://www.report.cpr.ca.gov/cprprt/issrec/inf/inf21.htm>

Other recommendations

Additional recommendations linked to housing development include:

- Encouraging infill and mixed use development by changing the environmental reviews required by the California Environmental Quality Act. This section of the report summarizes innovation approaches in other states and California cities that integrate adoption of the general plan and Master Environmental Impact Reports. This integration lessens the need for project-specific environmental review. The section recommends legislation to exempt from further environmental review infill and mixed-use development projects for which Master Environmental Impact Reports have been conducted. (Vol. 4, Ch. 4, INF 37)

- Moving the Department of Industrial Relations, which administers prevailing wage law, to a new Department of Labor and Economic Development. The only policy change to prevailing wage involves clarifying that the state law does not apply to volunteer labor. (Vol. 2, Ch. 4 and Vol. 4, Ch. 3, ETV28)

<http://www.report.cpr.ca.gov/cprprt/issrec/inf/inf37.htm>

<http://www.report.cpr.ca.gov/cprprt/frmfunc/ch4.htm>

<http://www.report.cpr.ca.gov/cprprt/issrec/etv/etv28.htm>

AROUND THE STATE

Next steps

A panel of 21 state legislators, public officials, academics, and political supporters, appointed by the Governor in June, will hold five hearings around the state and summarize the responses in a second report to the governor. The first hearing is Aug. 13 at UC Riverside, then UC San Diego on Aug. 20, Cal State Fresno on Aug. 27, San Jose State on Sept. 10, and Cal State Long Beach on Sept. 17. At each hearing, one hour will be designated for public comments.

Based on input from the public and the 21-member panel, the Governor will pare down the CPR report. He has numerous options for enacting the recommendations, including ballot initiative, regular legislation, executive order, and through the Little Hoover Commission. Housing California's Policy Committee will closely examine each of the recommendations and submit feedback to the Governor over the next few months. Please contact Julie Snyder with any comments, (916) 447-0503, x102.

For a list of the panel members:

[http://www.housingca.org/CPR/Commission members.pdf](http://www.housingca.org/CPR/Commission%20members.pdf)

For a chart showing the department to which each state entity would be moved:

[http://www.housingca.org/CPR/Department Index.htm](http://www.housingca.org/CPR/Department%20Index.htm)

The full CPR report is available at:

<http://www.report.cpr.ca.gov/>

An independent analysis can be found on the California Budget Project's website:

<http://www.cbp.org>

Alternative Plan Proposed for Housing in L.A.

Los Angeles City has proposed an inclusionary affordable housing plan requiring most new housing developments to include a specific percentage of low-income units or to pay an in-lieu-of fee. A coalition of business and community leaders have proposed an alternative plan that calls for the creation of "housing incentive zones" where developers of affordable housing would be offered incentives such as higher density and reduced building restrictions. The alternative plan would be voluntary rather than mandated by city legislation, but supporters argue that it will be an effective tool for increasing the inventory of affordable housing.

Under the coalition's proposed plan, affordable housing developments would be spread evenly through all 15 council districts. It calls for creating a series of targeted zones where affordable housing projects could be taller and have more units than currently permitted.

Community groups have responded negatively to the inclusionary housing plan and some have voiced objections to the newly proposed incentive zone plan. The community leaders point to the lack of infrastructure to support higher density and especially to the problems of traffic congestion.

AROUND THE NATION

Triggers for Tax Credit Audits

The July 19, 2004 issue of the *Housing and Development Reporter* summarized a recent presentation by Internal Revenue Service officials regarding the issues and methods used to select low-income housing tax credit projects for audits.

Kent Rinehart, a senior IRS program analyst assigned to the low-income housing tax credit program, said that the IRS generally uses Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, to select audit targets, although it also relies on newspaper stories or tenant tips.

Overall, the IRS focuses on "large and questionable items" that will result in the most significant adjustments or recapture of tax credits, he said.

Issues that will immediately flag a project for an audit: premature building dispositions with no evidence a seller posted a recapture bond and no recapture of credits; major health and safety violations; eligible basis issues; projects dropping out of the program without providing for recapture of credits and payment of interest; and failure to meet minimum income set-asides.

The IRS also has been seeing a problem with some owners and managers charging tenants fees without characterizing them as rent. Other problems likely to get a development selected for an audit include targeting a specific group as tenants and excluding the general population or taking credits for vacant units that are in poor physical condition or are used for storage.

HUD Publishes HOME Planning Document

HUD's Office of Policy Development and Research has released *Using Your HOME Dollars for Rental Production: A Planning Paper for Local Policy Makers*.

The devolution of substantial control over housing policy to local governments and states has given the local government administrators of the HOME program the opportunity to make choices that best meet the housing needs of the people they serve. This planning paper is grounded in a thorough review of the research literature, but is written for practitioners, and thus provides a framework for local communities to make those difficult and often complicated choices.

The document makes the following suggestions:

- If there is no shortage of rental housing, consider using HOME to fund additional vouchers.
- If there is a shortage, they should consider using HOME—together with allocations of the Low Income Housing Tax Credit (LIHTC) to the jurisdiction—to produce as many additional units of affordable rental housing as possible.
- New HOME rental developments should be located in neighborhoods where vouchers are difficult to use and there are few project-based assisted housing developments.
- The use of HOME to preserve older affordable housing developments—both those with project-based rental assistance and market-rate affordable housing—should concentrate on “gentrifying” neighborhoods where rents are likely to become out of reach of both voucher-holders and unassisted low-income renters.
- Large families, who often have difficulty finding affordable rental housing that meets their needs,
- The frail elderly, who can benefit from special design features and services when those features are made
- People with disabilities, who often prefer to live in “mainstream” housing, but sometimes need the supervision possible in a specialized housing development or can benefit from living in a community of people with similar needs.
- Choose neighborhoods that are in the early stages of decline or that are already showing some signs of improvement if HOME and other housing resources are the only intervention.
- Invest HOME funds in truly distressed neighborhoods only when they will be part of a critical mass of resources that go beyond housing to include commercial redevelopment, improved public safety and schools, and enhanced social services.

- Use HOME funds as part of a regional housing plan to be most effective.

Using Your HOME Dollars for Rental Production: A Planning Paper for Local Policy Makers is available as a free download from HUD USER at:

<http://www.huduser.org/Publications/pdf/HomeDollars.pdf>

Proposed Fair Market Rents Released

HUD released the proposed FMRs for FY05 this week. NLIHC is analyzing the proposed FMRs, both from a policy perspective and also for their implications on the Out of Reach report, projected to be released September 14. Review the FMRs in your state or area and find something that you think does not reflect what is really happening on the ground, please contact Danilo Pelletiere, NLIHC's Research Director, danilo@nlihc.org or (202) 662-1530x237. It will be valuable to NLIHC as they analyze what HUD and OMB have done with the FMRs and whether the fluctuations are justified in particular cases.

Maxwell Awards Given to Six Nonprofits

The Fannie Mae Foundation presented the 15th annual Maxwell Awards of Excellence to six nonprofit housing providers across the country; awarding each a \$50,000 grant to be used with their projects.

The organizations were recommended by an advisory committee as having produced the best examples of affordable homes. The awards are named for David O. Maxwell, who retired in 1991 after serving 10 years as chairman and chief executive officer of Fannie Mae and the Fannie Mae Foundation.

Selected for recognition were:

- **BRIDGE Housing** in San Francisco won the award for the development and management of Mabuhay Court and Northside Community Center. The city owns the community center and operates it in partnership with the Filipino American Senior Opportunities Development Council. The community center is in the same building, making it easy for seniors to access services that encourage self-sufficiency, such as financial counseling and prepared meals.
- **Jamboree Housing Corporation (JHC)** was recognized for Mendocino Apartment Homes at Talega

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which has 1,186 affordable apartments within a 3,500-acre, upscale development in San Clemente, Calif. Jamboree worked for six years with city officials and other partners to develop an inclusionary zoning policy which requires that 15 percent of new homes be made available to low-income and very-low-income households.

- **Kentucky Mountain Housing Development Corporation** (KMHDC) of Manchester, Ky.
- **Achdiocese of Boston** Planning Office for Urban Affairs (POUA) of Boston, Mass.
- The **YWCA** of Seattle-King County-Snohomish County.
- **Aletheia House** of Birmingham Alabama.

Guide Outlines Housing Resources

The National League of Cities has published a guide to federal programs and grantmaking institutions that support municipal affordable housing development. The guide summarizes programs administered by HUD and the Department of Agriculture's Rural Housing Service. Among the many programs included are those that fund rental assistance, senior housing, Native American housing, drug elimination, lead hazard reduction, and self-help housing. The publication also lists national foundations and award programs that fund affordable housing initiatives. It can be found on NLC's Web site.

http://www.nlc.org/nlc_org/site/files/pdf/Affordable%20Housing-final.pdf

New Procedures for Recertification Waivers

The Internal Revenue Service has revised the procedure for obtaining recertification waivers for 100 percent low-income housing tax credit developments, providing an application form, accelerating the waiver's effective date, and giving the IRS authority to notify allocating agencies of a waiver revocation.

Section 42(g)(8)(B) of the Internal Revenue Code allows the IRS to waive annual recertification of tenant incomes if an entire building is occupied by low-income tenants, although owners must still keep records of incomes when tenants initially occupied a unit.

Under Rev. Proc. 2004-38, owners will have to complete Form 8877, *Request for Waiver of Annual Recertifi-*

cation Requirement for the Low-Income Housing Credit, get the compliance monitoring agency to sign the form, and send it to the IRS, which will then notify the owner whether a waiver is approved or denied. State agencies will still have to certify that an entire building is occupied by low-income tenants at the end of the most recent credit year.

The revenue procedure also spells out more clearly the grounds upon which the IRS can revoke a waiver. Rev. Proc. 94-64 provides that the Service can rescind a waiver if a building ceases to be 100 percent low-income housing or if the IRS determines that an owner has violated the tax credit statute "in a manner that is sufficiently serious to warrant revocation."

Although the new revenue procedure retains that language, it adds that a waiver will automatically be revoked if ownership of a building changes, including a change resulting from a partnership termination. Also, it says that the IRS will revoke a waiver at a compliance monitoring agency's request.

In case of an automatic revocation, the owner that received the waiver must notify the Service within 60 days. The new owner may apply for another waiver.

The revised procedure, Rev. Proc. 2004-38, was published in the July 6 Internal Revenue Bulletin. It is effective for waiver applications filed on or after July 6, replacing Rev. Proc. 94-64.

http://www.irs.gov/irb/2004-27_IRB/ar14.html

Changing the Paradigm for Affordable Housing?

The California Housing Consortium Presents
Two Public Policy Forums this Fall

September 28th, 2004

2004 Southern CA Public Policy Forum

At the Queen Mary in Long Beach

Topics include:

- **Inclusionary Housing: Is it the Answer or is it the Obstacle?**
- **Future of State Funding for Housing**
- **How Do We Develop Housing To Meet Tomorrow's Demographic Need**

Early Registration Deadline: September 10, 2004

For more information:

818/706-1788

Dhoey@calhsng.org

<http://www.calhsng.org>

NONPROFIT RESOURCES

Workers' Compensation Audit Unit

The Department of Industrial Relations, in association with the Department of Workers' Compensation Audit Unit, has decided to give employers an extra 60 days to get into compliance with their new regulations that were put into effect on August 1, 2004. Employers have until October 1 to become compliant. Please take a moment to review this Bulletin from the Department of Industrial Relations DWC at the following link (DIR/WC):

http://www.dir.ca.gov/dwc/dwc_newslines/Newsline_36-04.html

This 60-day extension gives you more time to get in compliance by ordering the California/Federal Combined Labor Law Poster (English and Spanish).

Free Newsletter Answers Questions on Nonprofit Law

Staff working in nonprofits often have legal questions but find that they don't have either the resources to engage the services of an attorney or access to an attorney with expertise in nonprofit law. While it may not be the answer to all legal issues faced by a nonprofit, information on Don Kramer's "Nonprofit Issues" Web site and free newsletter can help...

<http://www.pnnonline.org/article.php?sid=5399>

JOB ANNOUNCEMENTS

For Details, go to:

<http://www.housingsandiego.org/jobs.htm>

El Cajon Community Development Corporation
• Housing Program Assistant

Center City Development Corporation

<http://www.ccdc.com/index.cfm/fuseaction/aboutCCDC.employment>

Local Initiatives Support Corporation
San Diego, CA

• Assistant Program Officer

Wakeland Housing & Community Development Corp - San Diego, CA

• Project Manager

San Diego Housing Commission Jobs

<http://www.sdhc.net/gijobopp2.shtml>

Community HousingWorks

• Project Manager

<http://www.housingsandiego.org/jobs2.htm#chw>

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The San Diego Housing Federation would not be as effective without the generous support of our sponsors. Please thank them the next time you see a representative of the following companies:

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Related Capital Company
Rodriguez + Simon Design Associates
San Diego Gas & Electric
Sun Country Builders
San Diego National Bank

CALENDAR OF EVENTS

NOTE: For details on these conferences or for ones scheduled more than two months from now, please go to:

<http://www.housingsandiego.org/currents.htm>

SAVE THE DATE 13th Annual San Diego Housing & Community Development Conference

October 15, 2004

**Pt. Loma Nazarene University
San Diego, CA**

**National Association for Latino
Community Asset Builders**

NALCAB's Second National Conference

September 2 - 4, 2004 - San Antonio, Texas

California Association of Local Agency Formation Commissions

Annual Conference 2004

September 8 - 10, 2004

**Disney's Grand Californian Hotel
Anaheim, CA**

Green Building in Affordable Housing and Mixed Use Development

Walker Wells, Global Green, USA

Tuesday September 14th

12 Noon - 1:30pm

City Heights Community Technology Center

The Nonprofit Housing Management Specialist Course

**Sponsored by Enterprise Foundation, LISC and
Neighborhood Reinvestment Corp.**

September 15-19, 2004

Denver, CO

Changing the Paradigm for Affordable Housing?

**The California Housing Consortium Presents
Two Public Policy Forums this Fall**

September 28th

**2004 Southern CA Public Policy Forum At the Queen
Mary in Long Beach**

November 10th

**2004 Northern CA Public Policy Forum Bay Area -
Location to be Determined.**

SCANPH Annual Conference

Monday, October 4th, 2004

Pasadena Convention Center

FHL Bank San Francisco

Making Your Vision A Reality: A Faith-Based Conference for Affordable Housing and Economic Development

October 17-19, 2004 - Los Angeles, CA

California Coalition for Rural Housing introduces

Confronting Challenges...Mobilizing for the Future

2004 Rural Housing Summit

October 21-22, 2004

Asilomar Conference Center, Pacific Grove, CA

**Non-Profit Housing Association of Northern California
(NPH)**

The NPH Annual Fall Conference — In its 25th Year

Tuesday, October 26, 2004

The Argent Hotel, San Francisco

California Association of Nonprofits (CAN) presents:

13th Annual Conference: Passion & Pressure: Putting the Pieces in Place

Los Angeles - Thursday-Friday, October 28-29, 2004

San Francisco - Thursday-Friday, November 4-5, 2004

**Mental Health Advocacy Services, Inc.,
a public interest law office presents:**

Getting it Built: Using Fair Housing Laws to Further the Development of Affordable Housing for People with Disabilities

San Diego - Friday, Nov. 5th, 2004.

Hosted by the San Diego Housing Federation.

**Where: Bank of America - 450 B Street, Suite 710 San
Diego, CA 92101**

Time: 9:30am - 12:30pm

Also held in Fresno - Friday, October 15th, 2004.

UC Center, Fresno.

**See the Federation's Website
Currents Page for latest additions.**