

<b>REQUEST FOR COUNCIL ACTION</b> CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Housing Commission	DATE: 4/6/2016
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SUBJECT: Proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan

PRIMARY CONTACT (NAME, PHONE): Wendy G. DeWitt,619-578-7590	SECONDARY CONTACT (NAME, PHONE): ,
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**COMPLETE FOR ACCOUNTING PURPOSES**

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

**COST SUMMARY (IF APPLICABLE):** The proposed funding sources and uses approved by this action are included in the proposed FY 2017 Housing Commission budget. Approving this action will not change the FY 2017 Total Budget.

Please refer to staff report for further information.

**ROUTING AND APPROVALS**

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Liaison Office	ORIG DEPT.	Davis, Jeff	04/06/2016
	CFO		
	DEPUTY CHIEF	Graham, David	04/11/2016
	COO		
	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF:     RESOLUTIONS     ORDINANCE(S)     AGREEMENT(S)     DEED(S)

That the San Diego City Council take the following actions:

1)     Approve the Proposed Fiscal Year 2017 (FY 2017) Affordable Housing Fund (AHF) Annual Plan (Annual Plan) Program Activity Allocation of \$44,976,671 in anticipated funds [also included in the FY 2017 San Diego Housing Commission (Housing Commission) Proposed Budget] and the proposed Model Programs; and

2) Authorize the President & Chief Executive Officer (President & CEO) of the Housing Commission, or designee, to reallocate funds among the proposed Model Programs included in the FY 2017 AHF Annual Plan in response to market demands and opportunities.

**STAFF RECOMMENDATIONS:**  
Approve Requested Actions

**SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)**

**COUNCIL DISTRICT(S):** Citywide

**COMMUNITY AREA(S):**

**ENVIRONMENTAL IMPACT:** Approval of the FY 2017 AHF Annual Plan is not a project as defined by CEQA Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a NORA is not required. Approval of the Annual Plan is also exempt under the NEPA pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

**CITY CLERK INSTRUCTIONS:** Please docket item for the Regular City Council meeting of June 14, 2016.

**COUNCIL ACTION**  
**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE: 4/6/2016

ORIGINATING DEPARTMENT: Housing Commission

SUBJECT: Proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan

COUNCIL DISTRICT(S): Citywide

CONTACT/PHONE NUMBER: Wendy G. DeWitt/619-578-7590

**DESCRIPTIVE SUMMARY OF ITEM:**

That the San Diego City Council approve the proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan as presented in this report.

**STAFF RECOMMENDATION:**

Approve Requested Actions

**EXECUTIVE SUMMARY OF ITEM BACKGROUND:**

(Code) to create an Affordable Housing Fund. It was created to meet, in part, the housing needs of the City of San Diego's (City) very low-, low-, and median-income households and has two permanent, annually renewable funding sources:

1. Inclusionary Housing Fund (IHF), which is funded from fees charged to residential development; and
2. Housing Trust Fund (HTF), which is funded from fees charged to commercial development.

The Municipal Code requires the Housing Commission to adopt an Annual Plan for the use of the AHF revenues and prescribes parameters for the distribution of those projected revenues. The AHF Annual Plan must include a description of all proposed programs to be funded, intended beneficiaries and the allocation of anticipated funds. The AHF Annual Plan must be presented to the Housing Commission and City Council for approval by June 30 of each year.

Staff has proposed the FY 2017 (July 1, 2016 – June 30, 2017) allocations in accordance with estimated available resources and previously approved policy objectives. All proposed allocations are estimates. Attachment 1 details the FY 2017 projected revenue and fund balances and provides descriptions of AHF revenue sources. Attachment 2 shows the proposed allocation of funds by activity, as well as production estimates. Actual allocations will depend on Housing Commission and City Council final approvals, the timing of project applications, funding commitments and expenditure deadlines of other available funding sources. Attachment 3 shows approved and pending projects using Affordable Housing Funds.

The proposed AHF Annual Plan (Attachment 4) describes the purpose and intent of the AHF, restrictions on the uses of the two sources of funds, fund allocations and production. It also describes FY 2017 Model Programs. Each year the Model Programs are reviewed and updated in response to community needs and past performance. Only active programs are included in the Model Programs list.

## Proposed Changes in the Model Programs

Housing Commission staff is recommending the following changes and clarifications to the Model Programs:

### 1. Rental Housing Production Section:

- a. Update scope to be consistent with current Notice of Funding Availability (NOFA).
- b. Update loan terms to provide clarity of the terms.

### 2. Homeownership Programs:

- a. Eliminate 3% Interest, Deferred-Payment Loan Program (Restricted Units) and combine with 3% Interest, Deferred-Payment Loan Program.
- b. Update Area Median Income (AMI) to 100% to reflect the current program.

### 3. Housing Initiatives:

- a. Include the option to fund Emergency Shelter with HTF and IHF funds.
- b. Include the option to fund Interim Housing with HTF and IHF funds.
- c. Include the option to fund Rapid Re-Housing with HTF.
- d. Include the option to fund Regional Continuum of Care Council with HTF funds.

## FISCAL CONSIDERATIONS:

The proposed funding sources and uses approved by this action are included in the proposed FY 2017 Housing Commission budget.

Please refer to the staff report for further information.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION** (describe any changes made to the item from what was presented at committee):

The Housing Commission is scheduled to hear this item on April 8, 2016.

The San Diego City Council has adopted an AHF Annual Plan each year in accordance with the Municipal Code.

On March 8, 2016, the City Council voted 9-0 to approve Municipal Code amendments that would allow the payment of the Housing Impact Fees to be deferred from building permit issuance to final inspection through the use of a Fee Deferral Agreement. The Municipal Code revision implements one of the requested changes in the Memorandum of Understanding between the Housing Commission and the Jobs Coalition, and is based on the existing City of San Diego fee deferral program for Facilities Benefit Assessments and Development Impact Fees.

## COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Housing Commission staff attended community group meetings in North Park, Otay Mesa Nestor, and Rancho Bernardo. Staff gave a brief overview of the AHF and proposed changes to the Model Programs, with instructions on how to provide written comments. The public may

submit written comments through April 8, 2016. One written comment has been received as of March 30, 2016 (see Attachment 5).

**KEY STAKEHOLDERS AND PROJECTED IMPACTS:**

The beneficiaries of AHF programs are extremely low- to median-income households in the city of San Diego. Residential developers, nonprofit housing providers, and financial institutions may also be impacted by program changes.

Davis, Jeff

Originating Department

Graham, David

Deputy Chief/Chief Operating Officer



## REPORT TO THE CITY COUNCIL

**DATE ISSUED:** April 5, 2016

**REPORT NO:** CCR16-002

**ATTENTION:** Council President and Members of the San Diego City Council  
For the Agenda of June 14, 2016

**SUBJECT:** Proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan

**COUNCIL DISTRICT:** Citywide

### **REQUESTED ACTION**

That the San Diego City Council approve the proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan as presented in this report.

### **STAFF RECOMMENDATION**

That the San Diego City Council take the following actions:

- 1) Approve the Proposed Fiscal Year 2017 (FY 2017) Affordable Housing Fund (AHF) Annual Plan (Annual Plan) Program Activity Allocation of \$44,976,671 in anticipated funds [also included in the FY 2017 San Diego Housing Commission (Housing Commission) Proposed Budget] and the proposed Model Programs; and
- 2) Authorize the President & Chief Executive Officer (President & CEO) of the Housing Commission, or designee, to reallocate funds among the proposed Model Programs included in the FY 2017 AHF Annual Plan in response to market demands and opportunities.

### **SUMMARY**

On June 3, 2003, the City Council amended San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code) to create an Affordable Housing Fund. It was created to meet, in part, the housing needs of the City of San Diego's (City) very low-, low-, and median-income households and has two permanent, annually renewable funding sources:

1. Inclusionary Housing Fund (IHF), which is funded from fees charged to residential development; and
2. Housing Trust Fund (HTF), which is funded from fees charged to commercial development.

The Municipal Code requires the Housing Commission to adopt an Annual Plan for the use of the AHF revenues and prescribes parameters for the distribution of those projected revenues. The AHF Annual Plan must include a description of all proposed programs to be funded, intended beneficiaries and the allocation of anticipated funds. The AHF Annual Plan must be presented to the Housing Commission and City Council for approval by June 30 of each year.

April 5, 2016

Proposed Fiscal Year 2017 Affordable Housing Fund Annual Plan

Page 2

Staff has proposed the FY 2017 (July 1, 2016 – June 30, 2017) allocations in accordance with estimated available resources and previously approved policy objectives. All proposed allocations are estimates. Attachment 1 details the FY 2017 projected revenue and fund balances and provides descriptions of AHF revenue sources. Attachment 2 shows the proposed allocation of funds by activity, as well as production estimates. Actual allocations will depend on Housing Commission and City Council final approvals, the timing of project applications, funding commitments and expenditure deadlines of other available funding sources. Attachment 3 shows approved and pending projects using Affordable Housing Funds.

The proposed AHF Annual Plan (Attachment 4) describes the purpose and intent of the AHF, restrictions on the uses of the two sources of funds, fund allocations and production. It also describes FY 2017 Model Programs. Each year the Model Programs are reviewed and updated in response to community needs and past performance. Only active programs are included in the Model Programs list.

### **Proposed Changes in the Model Programs**

Housing Commission staff is recommending the following changes and clarifications to the Model Programs:

1. Rental Housing Production Section:
  - a. Update scope to be consistent with current Notice of Funding Availability (NOFA).
  - b. Update loan terms to provide clarity of the terms.
2. Homeownership Programs:
  - a. Eliminate 3% Interest, Deferred-Payment Loan Program (Restricted Units) and combine with 3% Interest, Deferred-Payment Loan Program.
  - b. Update Area Median Income (AMI) to 100% to reflect the current program.
3. Housing Initiatives:
  - a. Include the option to fund Emergency Shelter with HTF and IHF funds.
  - b. Include the option to fund Interim Housing with HTF and IHF funds.
  - c. Include the option to fund Rapid Re-Housing with HTF.
  - d. Include the option to fund Regional Continuum of Care Council with HTF funds.

### **AFFORDABLE HOUSING IMPACT**

If all anticipated FY 2017 funds are collected and allocated as proposed, the estimated affordable housing production impact would be: 1) Gap financing for approximately 310 rental units created for very low-income households; 2) 20 - 24 low- to median-income first-time homebuyers assisted; 3) 725 transitional housing beds provided for very low-income, formerly homeless individuals and families; and 4) assistance to 180 households through rapid re-housing.

### **FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action are included in the proposed FY 2017 Housing Commission budget. Approving this action will not change the FY 2017 Total Budget, but will allocate funding sources among uses as shown in the following table:

<b>Program</b>	<b>Budget</b>	<b>Production</b>
Rental Housing Finance – gap financing Affordable Rental Housing Production	\$39,217,586*	310 units (represents new closings in FY2017)
Homeownership Deferred Payment Loans; Closing Cost Assistance Grants	\$1,000,000	20-24 units
Transitional Housing	\$1,340,602	725 transitional housing beds
Rapid Re-Housing	\$600,000	180 households
Capacity Building Developer Capacity Review	\$50,000	2 – 4 projects
Administration	\$2,613,483	Personnel, overhead, MOU expense
Administration - Legal	\$155,000	
Fund Balances To be determined.	\$0	Fund Balances to be allocated in accordance with Municipal Code and appropriate approving authorities to proposed new Model Programs (gap financing for Transit-Oriented Development/Workforce Housing and Housing Commission developments, and Flexible Rehousing Program) and/or above current programs.
<b>TOTAL</b>	<b>\$44,976,671</b>	

\*Of the \$39,217,586, \$14,940,058 will be used for projects closed in a previous fiscal year with funds being dispensed as the project progresses, leaving \$24,277,528 for new FY2017 production.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

The Housing Commission is scheduled to hear this item on April 8, 2016.

The San Diego City Council has adopted an AHF Annual Plan each year in accordance with the Municipal Code.

On March 8, 2016, the City Council voted 9-0 to approve Municipal Code amendments that would allow the payment of the Housing Impact Fees to be deferred from building permit issuance to final inspection through the use of a Fee Deferral Agreement. The Municipal Code revision implements one of the requested changes in the Memorandum of Understanding between the Housing Commission and the Jobs Coalition, and is based on the existing City of San Diego fee deferral program for Facilities Benefit Assessments and Development Impact Fees.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS**

Housing Commission staff attended community group meetings in North Park, Otay Mesa Nestor, and Rancho Bernardo. Staff gave a brief overview of the AHF and proposed changes to the Model Programs,

with instructions on how to provide written comments. The public may submit written comments through April 8, 2016. One written comment has been received as of March 30, 2016 (see Attachment 5).

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

The beneficiaries of AHF programs are extremely low- to median-income households in the city of San Diego. Residential developers, nonprofit housing providers, and financial institutions may also be impacted by program changes.

**ENVIRONMENTAL REVIEW**

Approval of the FY 2017 AHF Annual Plan is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Approval of the Annual Plan is also exempt under the National Environmental Policy Act pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

*Liliana Caracoza*

Liliana Caracoza  
Senior Program Analyst  
Real Estate Division

Approved by,

*Deborah N. Ruane*

Deborah N. Ruane  
Senior Vice President  
Real Estate Division

Attachments:

- 1) Projected Funding Sources FY 2017 Affordable Housing Fund Annual Plan
- 2) Proposed Allocation of FY 2017 AHF Revenues – Activity Detail
- 3) Summary of Approved and Pending Multifamily Development Loan Commitments
- 4) San Diego Affordable Housing Fund Annual Plan Fiscal Year 2017
- 5) Public Comment

Hard copies are available for review during business hours at the security information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).

Projected Funding Sources  
 FY 2017 Affordable Housing Fund Annual Plan

The Housing Trust Fund (HTF)

- Housing Impact Fee
- Loan Repayments (HTF, CDBG HTF, Housing Rehabilitation HTF, Redevelopment, TOT, and State LHFTP)

The Inclusionary Housing Fund

- Affordable Housing Fees (Residential Development)
- Loan Repayments

Fund	Projected Fund Balances	Projected FY17 New Funding	Total FY17 Funds
HTF - Housing Impact Fees and Repayments	\$3,758,778	\$2,755,000	\$6,513,778
HTF - Other HTF Funds (loan repayments)	\$3,400,052	\$369,300	\$3,769,352
Inclusionary Housing Fund - Inclusionary Fees and Repayments	\$27,063,541	\$7,630,000	\$34,693,541
<b>TOTAL, ALL FUNDS</b>	<b>\$34,222,371</b>	<b>\$10,754,300</b>	<b>\$44,976,671</b>

Description of HTF Funds:

**Housing Impact Fees:** Sole source of new HTF funds: Commercial Impact Fees.

**Other HTF Funds:**

**Local Housing Trust Fund Program (LHFTP):** Initial source was a State match grant, which was expended. A new grant was awarded and included in FY16 funding. Fund balance consists of loan repayments and interest.

**CDBG HTF:** Repayments of CDBG-funded affordable housing loans were permitted to be allocated to the HTF for Rehabilitation activity. Repayments of loans are recycled into the HTF for Rehabilitation activity.

**HTF Program Funds:** Rehabilitation loan repayments that were recycled into the HTF.

**Redevelopment:** The HTF received Redevelopment funds in FY93 and FY95 (See TOT below).

**TOT:** At its 1990 inception the HTF received a portion of TOT funds. TOT funding ceased in 1992 and was replaced with Redevelopment funds in FY93. Repayments of loans are recycled into the HTF.

## Proposed Allocation of FY2017 AHF Revenues - Activity Detail

Program/Activity/Funding Source*	Fund Amounts	Estimated Production	Household AMIs served
Rental Housing Finance			Inclusionary-funded units are 65%
<i>Affordable Rental Housing Production</i>			AMI or lower. AHF-funded units are typically 50% AMI or lower.
Inclusionary	\$30,907,450	310 Rental Housing units	
HTF Housing Impact Fee	\$4,587,010	(represents new closings in FY2017)	
Program Funds	\$3,723,126		
<i>Capacity Building</i>			
HTF Housing Impact Fee	\$50,000	2 - 4 Grants	
<b>TOTAL **</b>	<b>\$39,267,586</b>		
Homeownership			
<i>Deferred Payment loans; Closing Cost Assistance grants</i>			
Inclusionary	\$1,000,000	20-24 units	Serves AMIs up to 100%, subject to the model programs
Housing Innovations			
<i>Transitional Housing grants</i>			
HTF Housing Impact Fee	\$670,301	725 transitional housing beds for Cortez Hill and 10 other programs.	On average participants are extremely low to low income.
Inclusionary	\$670,301		
<i>Rapid Rehousing Grants</i>			
HTF Housing Impact Fee	\$600,000	180 households	Participants are extremely low to low income
<b>TOTAL</b>	<b>\$1,940,602</b>		
Administration			
Inclusionary	\$2,013,290	Personnel, overhead, & MOU expense	
HTF Housing Impact Fee	\$553,967		
Program Funds	\$46,226		
<b>TOTAL</b>	<b>\$2,613,483</b>		
Administration - Legal			
Inclusionary	\$102,500		
HTF Housing Impact Fee	\$52,500		
<b>TOTAL</b>	<b>\$155,000</b>		
Fund Balances			
	\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval process.	
<b>TOTAL</b>	<b>\$44,976,671</b>		

\*See Projected Funding Source List for details (Attachment 1)

\*\* Of the \$39,267,586, \$14,940,058 will be used for projects closed in a previous fiscal year with funds being dispensed as the project progresses, leaving \$24,277,528 for new FY2017 production, and \$50,000 for capacity building reviews.

**ATTACHMENT 3**

**Summary of Approved Multifamily Development Loan Commitments**

<b>Project</b>	<b>FY17 Budget Housing Impact Fees</b>	<b>FY17 Budget Inclusionary Fees</b>	<b>FY17 Budget State LHFP</b>	<b>FY17 Budget Program Funds</b>
Mission Gorge		\$ 4,300,000		
Villa Encantada	\$ 500,000	\$ 4,600,000		
Trolley Residential		\$ 500,000		
North Park Seniors		\$ 3,240,058		
Talmadge Gateway		\$ 1,000,000	\$ 800,000	
Sub-Total	\$14,940,058			

**Summary of Pending Multifamily Development Loan Commitments**

Unidentified FY 16 Permanent Supportive Housing NOFA Projects	\$ 1,661,704	\$ 6,168,217	\$ -	\$ -
Unidentified FY 17 Affordable Housing Projects	\$ 1,212,653	\$ 5,311,828	\$ -	\$ 2,923,126
Unidentified FY 17 Permanent Supportive Housing NOFA Projects	\$ 1,212,653	\$ 5,787,347	\$ -	\$ -
Sub-Total	\$24,277,528			
<b>TOTAL</b>	<b>\$39,217,586</b>			



SAN DIEGO  
HOUSING  
COMMISSION

Attachment 4

# San Diego Affordable Housing Fund Annual Plan



Independence Point  
327 South Willie James Jones Avenue  
\$300,000 Housing Impact Fees

**Fiscal Year 2017**  
**(July 1, 2016 – June 30, 2017)**

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## **SAN DIEGO AFFORDABLE HOUSING FUND**

### **Introduction**

The San Diego Affordable Housing Fund (AHF) was created by the San Diego City Council (City Council) on June 3, 2003, as a permanent and annually renewable source of revenue to help meet the housing needs of the city of San Diego's (City) lower-income households. The City Council expressed the purposes of the AHF in San Diego Municipal Code Chapter 9, Article 8, Division 5 (Code):

- Meet a portion of the need for housing that is affordable to households with very low, low, and median incomes;
- Leverage every \$1 of City funds with \$2 of non-City capital funds;
- Support the City's Balanced Communities Policy by fostering a mix of family incomes in AHF-assisted developments and dispersing affordable housing developments throughout the City;
- Preserve and maintain affordable rental and ownership housing; and
- Encourage private sector activities that advance these goals.

The AHF Annual Plan (Annual Plan) implements the City Council's intent by adopting an overall strategy for use of the AHF. Development of the Annual Plan is guided by the San Diego Housing Commission's (SDHC) annual budget process.

The Annual Plan provides revenue forecasts, a suggested Fiscal Year (FY) 2017 fund allocation, and production estimates. Proposed fund allocation takes into consideration policy parameters set by the Code, availability and requirements of other affordable housing funding sources, and the goals and objectives set forth in SDHC's FY 2017 Budget.

The FY 2017 Annual Plan also includes a description of SDHC's Model Programs.

### **Use**

The AHF is composed of two permanent, annually renewable funding sources:

#### **The Housing Trust Fund (HTF):**

HTF is funded from fees charged to commercial development. Per Section 98.0504 of the Code, HTF funds may be used in any manner, through loans, grants or indirect assistance for the production and maintenance of assisted units and related facilities.

#### **Inclusionary Housing Fund (IHF):**

IHF is funded from fees charged to residential development. The expenditure of IHF is governed by Section 98.0505 of the Code. Priority is given to the construction of new affordable housing stock. Funds may also be used for other programs if approved by City Council in the Annual Plan. SDHC monitors the revenue collected and is responsible for reinvesting the funds.

IHF also allows for funds to be expended on other programs administered by SDHC with City Council approval. Recognizing the significant need for affordable housing and the desire to provide housing opportunities as soon as possible, funds are invested citywide. SDHC will invest the funds as follows:

➤ Rental Housing Production

- New construction
- Acquisition and acquisition with rehabilitation
- Preservation of existing affordable rental housing

Rental units shall be affordable at or below 65 percent of San Diego Area Median Income (AMI) for a minimum of 55 years. Developers apply for funding via SDHC's Notice of Funding Availability (NOFA).

➤ Homeownership Opportunities

Financing programs to encourage and increase homeownership opportunities for low- to median-income households at or below 100 percent of AMI. First-time homebuyers apply through participating lenders.

➤ Homeless Activities

Homeless Activities include funding for construction of permanent affordable housing units with supportive services, capitalized operating reserves for permanent supportive housing developments, and transitional housing operations support grants, and rapid re-housing. Funds may also be spent on activities to provide housing for homeless individuals, should SDHC receive direction to increase spending in this area, or opportunities arise for which other funds are unavailable.

## **FY 2017 AHF ANNUAL PLAN**

### **Revenue Forecast**

More than \$44.9 million is expected to be available in FY 2017, consisting of \$10.7 million in new revenue and loan repayments and \$34.2 million in estimated fund balances. New revenue includes HTF Housing Impact Fees (also known as Commercial Linkage Fees) and IHF Fees.

### **Fund Allocation and Production**

Funding recommendations are made in accordance with established SDHC policies and require approval of specific projects and activities by the SDHC Board of Commissioners and/or the Housing Authority of the City of San Diego (Housing Authority). Some discretionary transfer of funds between eligible activities is permitted, but all funding recommendations must be consistent with the Annual Plan and SDHC's budget process.

The proposed allocation of AHF funds for FY2017 is as follows:

PROGRAM	BUDGET	PRODUCTION
Rental Housing Finance – gap financing Affordable Rental Housing Production	\$39,217,586*	310 units (represents new closings in FY2017)
Homeownership Deferred Payment Loans; Closing Cost Assistance Grants	\$1,000,000	20-24 units
Transitional Housing	\$1,340,602	725 transitional housing beds
Rapid Re-housing	\$600,000	180 households
Capacity Building Developer Capacity Review	\$50,000	2 – 4 projects
Administration	\$2,613,483	Personnel, overhead, MOU expenses
Administration - Legal	\$155,000	
Fund Balances To be determined.	\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval processes.
<b>TOTAL</b>	<b>\$44,976,671</b>	

\*Of the \$39,217,586, \$14,940,058 will be used for projects closed in a previous fiscal year with funds being dispensed as the project progresses, leaving \$24,277,528 for new FY2017 production.

# SAN DIEGO HOUSING COMMISSION MODEL PROGRAMS OVERVIEW

Funding is allocated on an annual basis among the various activities authorized by the Code. Model Programs 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 FY 2017. These activities are described more fully in the attached Model Programs.

## **Rental Housing Finance**

Financing for developers of affordable housing units with below-market rents. This includes deferred loans, below-market interest rates, and matching funds for State, Federal, and private financing. SDHC's Affordable Housing Notice of Funding Availability (NOFA) contains additional information regarding SDHC's financial participation in affordable rental housing development, including new construction or acquisition with rehabilitation.

## **Rental Housing Finance – Transit Oriented Development (TOD)/Workforce Housing**

A program similar to the Rental Housing Finance program, TOD/Workforce Housing and affordable rental housing developments that meet certain geographical requirements will receive funding preference over other affordable rental housing developments.

## **Rental Housing Finance – SDHC Development**

Gap financing for SDHC developments when other funds are unavailable or local match funds are needed. Developments include new construction, acquisition, acquisition with rehabilitation, and preservation of existing affordable rental housing.

## **Permanent Supportive Rental Housing**

Financing for developers of permanent affordable rental housing with supportive services that serve special resident populations, including those who are at risk of becoming homeless or need services related to physical or mental disabilities, chronic health problems (HIV/AIDS) or are recovering from substance abuse. This program includes deferred loans, below-market interest rates, revocable grants, and matching funds for State, Federal and private financing. SDHC's current Permanent Supportive Housing NOFA contains additional information regarding SDHC's financial participation in housing development.

## **First-Time Homeownership**

Deferred loan and closing cost grant programs to help first-time homebuyers with the purchase of a home in the City of San Diego.

## **Homeless Housing Initiatives Programs**

SDHC administers several programs that serve homeless San Diegans, ranging from the City of San Diego's emergency shelters, to operating support grants for transitional housing facilities, to providing rental assistance via rental assistance programs (such as Federal Sponsor-Based Housing Vouchers or Rapid Re-housing assistance). The latter are designed to assist low-income residents achieve stability by providing innovative housing solutions.

## **Capacity Building**

Technical assistance provided to increase capacity in producing affordable housing.

## **Administration**

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

## **Legal**

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

## SAN DIEGO HOUSING COMMISSION MODEL PROGRAMS

<b>Legend:</b>	<b>HTF</b>	Housing Trust Fund (local funding)
	<b>INCL</b>	Inclusionary Housing Fund (local funding)
	<b>HOME</b>	HOME Investment Partnerships Program (federal funding HUD)
	•	Represents eligible funding sources for each activity

### RENTAL HOUSING PRODUCTION

<b>Rental Housing Finance – 100% Affordable Projects</b>		HTF	INCL	HOME	Other
Scope	<p>Below-market interest rate, subordinate loan program to increase the supply of affordable rental units in the City of San Diego, to include new construction, acquisition, and acquisition with rehabilitation. Loans to developments with at least 100% of the units are affordable to households at or below 60% of the San Diego Area Median Income (AMI) (manager units are excluded).</p> <p>Preference will be given to projects that meet at least one of the following criteria: qualified as Transit-Oriented Development (TOD)/workforce housing; located within ¼ mile of a San Diego Association of Governments (SANDAG) designated “employment center”; located in a census tract with low-income concentrations of less than 41% ; or located north of Interstate 8; or with a minimum of 25 units designated as permanent supportive housing (<i>see Permanent Supportive Rental Housing Finance model program below</i>).</p>	•	•	•	• State
Target Population	Extremely low-, very low- and low-income households.				
Loan Terms	Maximum term to maturity is 55 years. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest is due and payable as a balloon payment at maturity. Loan may be originated as a construction loan and converted into long-term permanent financing.				
Loan Underwriting	Subject to loan policies of SDHC unless specific exception as authorized by the SDHC.				
Application Method	Funds for program to be made available through Request for Proposals (RFP) and/or NOFA. RFP/NOFA requires applicant to stipulate the rent schedule for the development.				

<b>Transit-Oriented Development (TOD)/Workforce Housing – Mixed Income Projects</b>		HTF	INCL	HOME	Other
Scope	<p>Below-market interest rate, subordinate loan program to increase the supply of affordable rental units in the City of San Diego, to include new construction, acquisition and acquisition with rehabilitation. Loans to developments wherein at least 20% of the units are affordable to households at or below 50% of AMI (manager units excluded).</p> <p>Developments must meet at least one of the following criteria: qualified as TOD or workforce housing; located within ¼ mile of a SANDAG designated “employment center”; located in a census tract with low-income concentrations of less than 41%; located north of Interstate 8, or project is on SDHC’s identified TOD site list</p>	●	●	●	● State
Target Population	Extremely low-, very low- and low-income households.				
Loan Terms	Maximum term to maturity is 55 years unless otherwise approved by SDHC. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest is due and payable as a balloon payment at maturity. Loan may be originated as a construction loan and converted into long-term financing.				
Loan Underwriting	Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Application Method	Funds for program to be made available through RFP or NOFA. RFP/NOFA requires applicant to stipulate the rent schedule for the project.				

<b>Rental Housing Finance – SDHC Development</b>		HTF	INCL	HOME	Other
Scope	Funding for SDHC affordable rental housing developments when other funds are unavailable or local match funds are needed. Anticipated uses are expenses ineligible for non-AHF funds.	●	●		●
Target Population	Extremely low- to moderate-income households.				
Terms	Projects would be affordable for a minimum of 55 years unless otherwise approved by the Housing Commission Board.				

<b>Rental Housing Finance – Permanent Supportive Housing</b>		HTF	INCL	HOME	Other
Scope	A loan and grant program for permanent housing with supportive services, which will maximize the ability of residents to live independently. Loans and grants may be used for the development, acquisition or long-term leasing of housing facilities, improvements to existing facilities, and capitalized operating reserves.	●	●	●	●
Target Population	Extremely low- and very low-income special needs individuals identified as needing permanent housing in a service-enhanced environment; selection of individuals to be generally compatible with requirements of Federal funding sources. Individuals to be assisted may include those experiencing homelessness, including				

	those at risk of becoming homeless; those in need of special services related to physical or mental disabilities, chronic health problems (HIV/AIDS); or those recovering from substance abuse.				
Loan Terms	Maximum term is 55 years. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest is due and payable as a balloon payment at maturity.				
Loan Underwriting	Loan may be originated as a construction or rehabilitation loan and converted into long-term financing. Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Grant Terms	Grant terms subject to revocation/repayment for non-performance.				
Application Method	Funds for program to be made available through RFPs or NOFA.				

**HOMEOWNERSHIP PROGRAMS**

<b>3% Interest, Deferred-Payment Loan Program</b>		HTF	INCL	HOME	Other
Scope	A deferred second trust deed loan program for low- and moderate-income first-time homebuyers that bridges the gap between what households can afford and the actual cost of acquiring a home. The deferred loan program provides up to 17% of the purchase price to be used toward down payment. When purchasing an Affordable For-Sale unit with long term restrictions, households earning up to 80% of AMI may receive a loan up to 25% of the purchase price.	●	●	●	● State
Target Population	The loan program targets households earning up to 100% of AMI that meet program eligibility and underwriting guidelines.				
Loan Terms	Loans are at 3% simple interest and require no monthly payments. The loan term is 30 years. Principal and accrued interest is due as a balloon payment upon sale, non-owner occupancy, or upon maturity.				
Loan Underwriting	Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Application Method	Purchasers apply through participating lenders. Applications are underwritten and approved by SDHC Staff.				

<b>Closing Cost Assistance Program</b>		HTF	INCL	HOME	Other
Scope	A grant program for first-time homebuyers that provides up to 4% of the purchase price; not to exceed \$15,000 when the buyer's income is at or below 80% of AMI, and not to exceed \$10,000 for buyers with income of 81%-100% of AMI. Grants are to be used towards the closing costs related to the purchase of a home in the city of San Diego.	●	●	●	● CDBG
Target Population	Households earning up to 100% of AMI that meet program eligibility and underwriting guidelines.				
Grant Terms	This is a grant forgiven at the close of escrow. There is no repayment required.				

<b>Neighborhood Stabilization Acquisition Loans</b>		HTF	INCL	HOME	Other
Scope	A second trust deed loan program for moderate-income first-time homebuyers purchasing a bank owned property located in targeted areas. Deferred loan assistance is up to 17% of the purchase price. Purchase price must be at least 1% below appraised value.			●	● NSP Funds
Target Population	Households earning up to 120% AMI that meet program eligibility and underwriting guidelines.				
Loan Terms	The loans are 0% interest and require no monthly payments. The loan is due as a balloon payment upon sale, non-owner occupancy, or upon maturity.				
Loan Underwriting	Subject to loan policies of SDHC unless specific exception as authorized by SDHC.				
Application Method	Purchasers apply through participating lenders. Applications are underwritten and approved by SDHC Staff.				

<b>Neighborhood Stabilization Closing Cost Grants</b>		HTF	INCL	HOME	Other
Scope	A revocable grant program for first-time homebuyers purchasing a bank-owned property under the Neighborhood Stabilization Program (NSP) guidelines. The grant pays up to 3% of the purchase price toward closing costs.			●	● NSP Funds
Target Population	Households earning up to 120% AMI that meet program eligibility and underwriting guidelines.				
Grant Terms	Repayment of the grant, plus 5% interest is required if the home is sold or transferred within the first six years of ownership.				
Application Method	Purchasers apply through participating lenders. Applications are underwritten and approved by SDHC Staff.				

<b>Neighborhood Stabilization Rehabilitation Loans</b>		HTF	INCL	HOME	Other
Scope	A third trust deed loan program for moderate-income first-time homebuyers purchasing a bank owned property under the NSP guidelines.			●	● NSP Funds
Target Population	Households earning up to 120% AMI that meet usual bank underwriting criteria for first mortgages.				
Loan Terms	The loans are 0% interest and require no monthly payments of principal. Rehabilitation loans up to \$10,000 are forgiven after 5 years. Rehabilitation loans up to \$30,000 will be forgiven after 10 years and Rehabilitation loans in excess of \$30,000 will be forgiven after 15 years. If the property is sold, refinanced, not owner occupied or the improvements have not been maintained prior to the end of the term, the loan funds must be repaid.				
Loan Underwriting	Subject to NSP guidelines as approved by SDHC.				
Application Method	Purchasers apply through participating lenders.				

## HOMELESS HOUSING INITIATIVES

<b>City of San Diego's Emergency Shelters</b>		HTF	INCL	HOME	Other
Scope	SDHC administers, on behalf of the City of San Diego, emergency shelter programs that provide temporary shelter with supportive services for persons experiencing homelessness, such as Cortez Hill Family Center for homeless families.	●	●		●
Target Population	Homeless individuals, families, and Veterans				
Terms	Up to 90 days				

<b>County of San Diego Hotel/Motel Vouchers</b>		HTF	INCL	HOME	Other
Scope	When other shelter is not available, homeless families can apply for emergency hotel/motel vouchers. SDHC provides partial funding for this program, which is administered by the County of San Diego.				●
Target Population	Elderly persons 65 or older, families with children, persons with severe disabilities, and pregnant women (on a case-by-case basis).				
Terms	14-28 days				
Application Method	Administered by the County of San Diego.				

<b>City of San Diego's Year-Round Interim Housing Program</b>		HTF	INCL	HOME	Other
Scope	SDHC administers, on behalf of the City of San Diego, interim housing programs with supportive services for homeless individuals, including the City's Year-Round Interim Housing Program at the Paul Mirabile Center at St. Vincent de Paul Village's campus and the City's Interim Housing Program at Connections Housing Downtown.	●	●		●
Target Population	Homeless individuals.				
Terms	Up to 120 days for interim housing beds.				

<b>Transitional Housing</b>		HTF	INCL	HOME	Other
Scope	A grant and loan program for nonprofit operators of transitional housing or permanent supportive housing. Grants and loans may be used for the leasing or operation of transitional housing and permanent supportive housing facilities as well as improvements to existing leased facilities. No more than 25% of grant funds may be used for administration and support services.	●	●		
Target Population	Homeless families and individuals.				
Grant Terms	Up to 24 months.				
Application Method	Funds for program to be made available through RFP's or NOFA.				

<b>Transitional Project-Based Rental Assistance for Homeless San Diegans</b>		HTF	INCL	HOME	Other
Scope	Rental assistance funds are issued to a partnering agency providing supportive services to homeless individuals while appropriate housing solutions are identified.				●
Target Population	Homeless individuals.				
Terms	Short-term rental assistance.				
Application Method	Awarded to agencies via an RFP process.				

<b>Rapid Re-Housing</b>		HTF	INCL	HOME	Other
Scope	Short-term assistance to help persons experiencing homelessness obtain and maintain permanent housing. Assistance can include rental assistance, security deposits, utility assistance, and case management. No more than 25% of grant funds may be used for administration and support services.	●		●	●
Target Population	Homeless individuals, families, and Veterans.				
Term	Assistance can range from three months to two years.				
Application Method	Funds for program made available through RFP's or NOFA.				

<b>Federal Sponsor-Based Housing Voucher Program</b>		HTF	INCL	HOME	Other
Scope	A rental assistance program for homeless individuals with diagnosed mental health or drug and alcohol disorders.				●
Target Population	Homeless individuals.				
Term	Indefinite (Permanent Supportive Housing)				
Application Method	Federal Sponsor-Based Housing subsidies are awarded to nonprofit or for-profit organizations, or "sponsors" – chosen through a competitive RFP process - to provide rental assistance to homeless San Diegans to help pay for their housing.				

<b>City of San Diego's Year-Round Day Center Services</b>		HTF	INCL	HOME	Other
Scope	Homeless individuals are provided with laundry facilities, showers, mail, case management, storage, and referral services, currently located at Neil Good Day Center.				●
Target Population	Homeless individuals.				
Terms	Daytime, Year-Round				

<b>Regional Continuum of Care Council (RCCC) Support</b>		HTF	INCL	HOME	Other
Scope	SDHC is a member of the RCCC, which has 75 members across the community, including providers of services, government agencies, and the private sector. It oversees Federal homeless assistance funds for the region. SDHC supports the RCCC, including the Homeless Management Information System (HMIS), a critical component of the community's service delivery system.	●			●
Target Population	Programs and services for homeless San Diegans.				

**CAPACITY BUILDING PROGRAM**

<b>Technical Assistance Program</b>		HTF	INCL	HOME	Other
Scope	A technical assistance program that will assist corporations and limited equity cooperatives in increasing the capacity to develop affordable housing. Program to provide "hands on" technical assistance in such areas as concept development, site assessment and acquisition, feasibility analysis, specification writing, bid packaging and review, permit procedures, construction oversight, grants and application preparation, record keeping and developer capacity required by funding sources.	●			
Target Population	Corporations and limited equity cooperatives with limited housing experience.				
Term	Grant is for the delivery of technical assistance services to housing developers. Scope of work will be articulated in contract documents.				
Application Method	Funds to be made available through RFP or SDHC contract policy.				

**SAN DIEGO HOUSING COMMISSION INCOME AND RENT CALCULATIONS**

U.S. Department of Housing and Urban Development **2015 SAN DIEGO MEDIAN INCOME:**

**\$73,000**

Note: The table contains income limits for 2015 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 <b>30% AMI</b> (Adjusted by HUD)			<b>35% AMI</b> (Adjusted by HUD)			<b>40% AMI</b> (Adjusted by HUD)		
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>
ONE	STUDIO	\$17,050	\$426	\$425	\$19,850	\$496	\$496	\$22,700	\$568	\$567
TWO	1-BR	\$19,450	\$486	\$455	\$22,700	\$568	\$531	\$25,950	\$649	\$607
THREE	2-BR	\$21,900	\$548	\$546	\$25,550	\$639	\$637	\$29,200	\$730	\$729
FOUR	3-BR	\$24,300	\$608	\$631	\$28,350	\$709	\$737	\$32,400	\$810	\$842
FIVE	4-BR	\$28,410	\$710	\$705	\$31,700	\$793	\$822	\$35,000	\$875	\$940
SIX	5-BR	\$32,570	\$814	\$778	\$35,050	\$876	\$907	\$37,600	\$940	\$1,037
SEVEN	6-BR	\$36,730	\$918		\$38,450	\$961		\$40,200	\$1,005	
EIGHT		\$40,890			\$41,850			\$42,800		

Family Size	Unit Size	Very Low Income <b>50% AMI</b> (Adjusted by HUD)				<b>60% AMI</b> (Adjusted by HUD)			<b>65% AMI</b> (Adjusted by HUD)		
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	"Low HOME" <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	"High HOME" <sup>3</sup>
ONE	STUDIO	\$28,350	\$709	\$708	\$708	\$34,020	\$851	\$850	\$36,850	\$921	\$931
TWO	1-BR	\$32,400	\$810	\$759	\$759	\$38,880	\$972	\$911	\$42,100	\$1,053	\$999
THREE	2-BR	\$36,450	\$911	\$911	\$911	\$43,740	\$1,094	\$1,093	\$47,400	\$1,185	\$1,202
FOUR	3-BR	\$40,500	\$1,013	\$1,053	\$1,053	\$48,600	\$1,215	\$1,263	\$52,650	\$1,316	\$1,379
FIVE	4-BR	\$43,750	\$1,094	\$1,175	\$1,175	\$52,500	\$1,313	\$1,410	\$56,850	\$1,421	\$1,519
SIX	5-BR	\$47,000	\$1,175	\$1,296	\$1,296	\$56,400	\$1,410	\$1,556	\$61,050	\$1,526	\$1,657
SEVEN	6-BR	\$50,250	\$1,256		\$1,417	\$60,300	\$1,508		\$65,300	\$1,633	\$1,796
EIGHT		\$53,500				\$64,200			\$69,500		

Family Size	Unit Size	<b>70% AMI</b> (Adjusted by HUD)		Low Income <b>80% AMI</b> (Adjusted by HUD)		<b>100%</b> Area Median Income (No HUD adjustment)		<b>120% AMI</b> (No HUD adjustment)	
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$39,700	\$993	\$45,400	\$1,135	\$51,100	\$1,278	\$61,300	\$1,533
TWO	1-BR	\$45,350	\$1,134	\$51,850	\$1,296	\$58,400	\$1,460	\$70,100	\$1,753
THREE	2-BR	\$51,050	\$1,276	\$58,350	\$1,459	\$65,700	\$1,643	\$78,850	\$1,971
FOUR	3-BR	\$56,700	\$1,418	\$64,800	\$1,620	\$73,000	\$1,825	\$87,600	\$2,190
FIVE	4-BR	\$61,250	\$1,531	\$70,000	\$1,750	\$78,850	\$1,971	\$94,600	\$2,365
SIX	5-BR	\$65,750	\$1,644	\$75,200	\$1,880	\$84,700	\$2,118	\$101,600	\$2,540
SEVEN	6-BR	\$70,300	\$1,758	\$80,400	\$2,010	\$90,500	\$2,263	\$108,600	\$2,715
EIGHT		\$74,850		\$85,550		\$96,350		\$115,650	

\* 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.

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 HUDs MTSP "Hold Harmless" policy.

"Low HOME" and "High HOME" rents effective **June 1, 2015**.

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 the 2014 Rent & Income limits, please contact Irma Betancourt at [irmab@sdhc.org](mailto: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 published March 06, 2015. HOME Rents effective June 1, 2015.**