



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: April 26, 2006 REPORT NO. RA-06-16

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of May 2, 2006

SUBJECT: Application to California Housing Financing Agency (CalHFA) for
Housing Enabled by Local Partnerships (HELP) Program Funds

REQUESTED ACTION:

Adopt a Resolution authorizing the Agency Executive Director or designee, to:

1. Apply to CalHFA for a HELP Program Loan of up to \$1.5 million and,
2. Upon award of any such funds, to:
 - a. Execute loan agreements
 - b. Commit Redevelopment Agency resources to repay the loan
 - c. Take other actions necessary to facilitate the proposed program

STAFF RECOMMENDATION: Adopt the requested Resolution.

SUMMARY:

Established in 1975, CalHFA was chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars. The HELP Program offers a 3% simple interest rate loan to local government agencies for their locally determined affordable housing activities and priorities.

CalHFA is currently accepting applications for \$10 million of HELP funds in the second of two rounds for funding offered during the 2005-2006 fiscal year. Proposals are limited to a maximum request of \$1,500,000. (See Attachment #1 for a copy of the Application Announcement dated March 13, 2006). The HELP Program is in its eighth year of funding low interest deferred housing loans to local agencies for innovative, diverse and comprehensive housing programs. As of March 2006, CalHFA has awarded \$150 million in funds under the program for projects and programs of 98 local government entities statewide, which is expected to result in the production of approximately 18,000 affordable housing units. The application deadline for this round of the HELP Program funds is May 15, 2006. (See Attachment #2 for a copy of the Agency' Application to CalHFA for the HELP Program).

In August 2002, the Redevelopment Agency, Housing Authority and City Council approved the concept of leveraging the Redevelopment Agency's Low- and Moderate-Income Housing set-aside funds to create up to \$55 million in affordable housing financing to fund the Affordable Housing Collaborative Program through a Notice of Funding Availability (NOFA). In January 2003, the Agency issued the NOFA to seek proposals to develop new affordable housing units within the City of San Diego. The City's Redevelopment Division, the Centre City Development Corporation (CCDC), the Southeastern Economic Development Corporation (SEDC) and the San Diego Housing Commission have been working together as the Affordable Housing Collaborative to implement projects submitted in response to the NOFA.

The Agency issued housing bonds for the Horton Plaza and Centre City project areas to provide the \$40 million contribution from the CCDC-administered project areas, and the Redevelopment Division committed to providing the remaining \$15 million. In 2003, the Agency issued housing bonds for the City Heights project area which provided \$2.0 million towards this commitment. On April 4, 2006, the Agency approved an affordable housing subsidy of \$5.245 million for the CentrePoint project in the Crossroads project area, which also will be credited toward the Redevelopment Division's funding commitment.

In total, \$48.125 million has been committed to projects through the Affordable Housing Collaborative Program, which will result in 720 affordable housing units in nine housing projects. At the time of this report, the Redevelopment Division has a remaining commitment of \$7.8 million to the Affordable Housing Collaborative Program. Redevelopment staff is exploring options for leveraging the Division's low- and moderate-income housing set-aside funds, including lines of credit and bond issuance. Eleven projects with a potential to develop 717 additional affordable housing units, totaling \$61.42 million in requested subsidy, are currently in review and exceed the balance of committed funds by \$53.62 million.

A successful proposal to the CalHFA HELP Program will help secure up to \$1.5 million in additional funds for the Affordable Housing Collaborative Program.

FINANCIAL CONSIDERATIONS:

HELP funds are available as an unsecured loan from CalHFA for up to ten (10) years at 3% simple interest per year and carry minimal restrictions and conditions. Repayment would be guaranteed with tax increment revenues from the Redevelopment Division's project areas, and is required in full no later than ten (10) years from the execution date of the loan agreement. (See Attachment #3 for two possible repayment schedules.)

Redevelopment staff is exploring options for leveraging the Division's low- and moderate-income housing set-aside funds, including lines of credit and bond issuance. Due to the length of the term for the HELP Program loan (up to 10 years), the low interest costs (3% simple interest would equate to a maximum of \$450,000) and the Agency's increasing capacity over time, an award and subsequent acceptance of these funds would have a minimal effect on the Agency's capacity to support alternative financing mechanisms.

PREVIOUS AGENCY, AND/OR COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

A successful HELP Program application to CalHFA could provide up to \$1.5 million in revenue for the Affordable Housing Collaborative Program, at a low cost to the Agency, creating an additional mechanism for development subsidy and ultimately increasing the affordable housing inventory in the City of San Diego.

Respectfully submitted,

Maureen Ostrye
Acting Deputy Director

James T. Waring, Deputy Chief
Land Use and Economic Development

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- Attachments:
1. HELP Program Announcement Letter – March 13, 2006
 2. Redevelopment Agency HELP Program Application
(Attachments to the application on file with the Redevelopment Agency.)
 3. Possible Financing Scenarios for CalHFA Loan