



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: January 7, 2009

REPORT NO.: RA-09-01

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of January 13, 2009

SUBJECT: Housing Enhancement Loan Program (HELP) in the City Heights
Redevelopment Project Area.

REQUESTED ACTION:

1. That the Redevelopment Agency adopt the revised City Heights Redevelopment Project Area Housing Enhancement Loan Program (HELP) Guidelines.
2. That the Redevelopment Agency approve the Amended Agreement By and Between the Redevelopment Agency of the City of San Diego and the City of San Diego Housing Commission in Connection with the City Heights Redevelopment Project Area Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS:

1. That the Redevelopment Agency adopt the revised City Heights Redevelopment Project Area Housing Enhancement Loan Program (HELP) Guidelines.
2. That the Redevelopment Agency approve the Amended Agreement By and Between the Redevelopment Agency of the City of San Diego and the City of San Diego Housing Commission in Connection with the City Heights Redevelopment Project Area Housing Enhancement Loan Program.

SUMMARY:

The City Heights Redevelopment Plan (the "Plan") was adopted on May 11, 1992. The Plan identifies various redevelopment priorities including the creation and rehabilitation of affordable housing units. The City Heights Redevelopment Project Area Third Five-Year Implementation Plan adopted on June 15, 2004, includes the continuation of the housing rehabilitation program for existing low and moderate-income dwelling units.

The City Heights Redevelopment Project Area Housing Enhancement Loan Program (HELP Program) fulfills the objectives of the Redevelopment Plan by advocating for the rehabilitation of existing dwellings to improve physical deficiencies and preserve positive neighborhood characteristics of the Redevelopment Project Area. The HELP Program provides significant community enhancement for the City Heights Redevelopment Project Area, as well as acts as a catalyst for further improvements in the area.

The revised City Heights HELP Program will provide one-time only forgivable Housing Enhancement Loans of up to \$30,000 at an annual simple interest rate of 3% to owner-occupants of one-unit and two-unit properties, within the City Heights HELP Area, whose gross household income is no greater than 100% of the Median Area Income. A map of the City Heights HELP Area is included as Attachment 1.

The loans, up to \$30,000, will be used to address interior and exterior conditions of properties to repair health and safety hazards and to rehabilitate, repair and install improvements, including improvements not eligible in existing rehabilitation programs such as fencing, sidewalks and landscaping. The loans may be also be used for qualifying energy and/or water conserving landscape improvements.

A 10-year deed restriction will be imposed as a condition of the loans. The deed restriction will require that the owner maintain residence at the property for not less than 10 years, or limits sale of the property to persons who will occupy the property and whose gross household income at the time of the sale is no greater than 100% of the Median Area Income. Commencing with the sixth year of the loan, twenty percent of the loan will be forgiven each year to the tenth year. After ten years the loan will be forgiven. The Program guidelines are included as Attachment 2. A brief comparison of the existing HELP Program with the proposed HELP Program can be found at Attachment 2.

The proposed Second Amended Agreement with the San Diego Housing Commission (included in this report as Attachment 4) shall amend, replace and supersede in its entirety the Agreement entered by the Parties on or about February 13, 2004 and November 16, 2005 and filed with the office of the secretary to the Agency as Documents No. D-03714 and D-03969.

The proposed Second Amended Agreement, continues to delegate several Agency responsibilities to the Housing Commission, including but not limited to: eligibility determination of the owner-occupant (including an evaluation of the owner-occupant's loan-to-value ratio), eligibility determination of the properties, evaluation and determination of each loan amount, eligibility of proposed improvements, ongoing compliance monitoring, certification of insurance compliance, final project inspection, management of Agency funds allocated toward the Program, reporting and expenditure of Agency funds, execution of the Memorandum of Lien Affecting Real Property to be recorded against assisted properties, approving or disapproving a borrower's refinancing, sale, or transfer of a subject property or any interest therein, approving or disapproving further encumbrances recorded against an assisted property, management over borrower defaults, and processing all required financial documents with respect to each loan.

Since October 1, 2003, through September 30, 2008, the Housing Commission has administered and managed the City Heights Redevelopment Project Area Rehabilitation Program, resulting in 120 completed rehabilitation projects with an approximate investment of \$2,494,150 in tax increment funds. In addition, the Housing Commission successfully manages similar programs for the Crossroads, Linda Vista, Mt. Hope, North Park, San Ysidro and Southcrest Redevelopment Project Areas.

On July 8, 2008, the Agency approved HELP Program Guidelines for the North Park and San Ysidro Redevelopment Project Areas. On October 28, 2008, the Agency approved revised HELP Guidelines for the Crossroads and Linda Vista Redevelopment Project Areas. The Guidelines and actions associated with this report are the result of the effort of Agency staff to create consistent HELP Program Guidelines among the various redevelopment project areas. Additional HELP Programs for the Grantville and College Grove Redevelopment Project Areas (and surrounding residential neighborhoods) and the Southeastern Economic Development Corporation area of influence will be brought to the Agency in upcoming months.

FISCAL CONSIDERATIONS:

The FY 09 Agency budget includes \$400,000 in low- and moderate-income housing funds specifically dedicated to the HELP Program. The Housing Commission's cost for outreach and administration are 15% of the loans funded, which is included as part of the \$400,000. Assuming loan amounts up to \$30,000, this will result in approximately, thirteen (13) rehabilitation loans and the creation of eight (8) full-time equivalent jobs for one year.

The loans will be subordinate to prior or concurrent mortgages and home equity lines of credit secured by a deed of trust. There is a risk that the Agency could lose some or all loan funds should a borrower have a foreclosure or surrender a deed of title in lieu of foreclosure to a senior lender.

PREVIOUS AGENCY and/or COUNCIL ACTION:

On May 20, 2008, the Agency adopted the Redevelopment Agency Budget for Fiscal Year 2009, which included \$400,000 in low- and moderate-income housing funds for the City Heights HELP Program.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On October 13, 2008, the City Heights Project Area Committee (PAC) voted 16-0-0 to recommend the revisions to the City Heights Housing Enhancement Loan Program Guidelines, including: combine the interior and exterior loans into one rehabilitation loan, increase the loan amount to \$30,000, increase the priority of enhancing the exterior of the property, prioritize loans for owner-occupants of recently purchased foreclosed/vacant properties, and standardize the City Heights HELP Program to be more consistent with other City of San Diego Redevelopment Project Area HELP Programs.

KEY STAKEHOLDERS and PROJECT IMPACTS:

The potential beneficiaries of these loans from FY09 funds are up to thirteen (13) low- and moderate-income, owner-occupants of residences located within the City Heights HELP Area. The City Heights HELP Program area is located in Council Districts 3, 4 and 7.

ALTERNATIVE:

Do not approve the Second Amended Agreement by and between the Redevelopment Agency of the City of San Diego and the City of San Diego Housing Commission.

[signatures on the following page]

Respectfully submitted,

Janice Weinrick
Deputy Executive Director

Approved: William Anderson
Assistant Executive Director

- Attachments:
1. Map of the City Heights HELP Area
 2. City Heights Housing Enhancement Loan Program Guidelines
 3. Comparison of Existing Guidelines and Proposed Guidelines
 4. Amended Agreement between the Agency and the Housing Commission