



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 8, 2009

REPORT NO.: RA-09-02

RTC NO.: RTC-09-019

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of April 14, 2009

SUBJECT: Housing Enhancement Loan Program in the College Grove Redevelopment
Project Area and the Surrounding Neighborhoods Located in Census Tracts
27.05 and 27.06

REQUESTED ACTIONS:

1. That the Redevelopment Agency approves the Guidelines for the College Grove Redevelopment Housing Enhancement Loan Program.
2. That the City Council and the Redevelopment Agency approve and adopt findings that allow for the use of low- and moderate- income housing tax increment set aside funds outside the College Grove Redevelopment Project Area for the College Grove Redevelopment Housing Enhancement Loan Program.
3. That the Redevelopment Agency authorize the City Comptroller to expend up to \$125,000 of Housing Tax-Increment Funds from the College Grove Redevelopment Project Area for the College Grove Redevelopment Housing Enhancement Loan Program.
4. That the Redevelopment Agency approves the Agreement by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission in connection with the administration and management of the College Grove Redevelopment Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE CITY COUNCIL:

1. Approve and adopt findings that allow for the use of low- and moderate- income housing tax increment set aside funds outside the College Grove Redevelopment Project Area for the College Grove Redevelopment Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE REDEVELOPMENT AGENCY:

1. Approve the Guidelines for the College Grove Redevelopment Housing Enhancement Loan Program.
2. Approve and adopt findings that allow for the use of low- and moderate- income housing tax increment set aside funds outside the College Grove Redevelopment Project Area for the College Grove Redevelopment Housing Enhancement Loan Program.

3. Authorize the City Comptroller to expend up to \$125,000 of Housing Tax-Increment Funds from the College Grove Redevelopment Project Area for the College Grove Redevelopment Housing Enhancement Loan Program.
4. Approve the Agreement by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission in connection with the administration and management of the College Grove Redevelopment Housing Enhancement Loan Program.

SUMMARY:

The College Grove Redevelopment Plan, adopted on May 16, 1986, identifies various redevelopment priorities including providing low- and moderate- income housing availability consistent with the goals and objectives of the community.

The proposed College Grove Redevelopment Project Area Housing Enhancement Loan Program (HELP) provides one-time only forgivable housing enhancement loans of up to \$20,000 at an annual simple interest rate of 3% to owner-occupants of one- and two- unit properties who live in the College Grove Redevelopment Project Area (Project Area) or outside the Project Area in the surrounding neighborhoods located in census tracts 27.05 and 27.06 and whose gross household income is no greater than 100% of the Median Area Income. A map of the College Grove Redevelopment Project Area and census tracts 27.05 and 27.06 is included as Attachment 1 to this report.

Eligible participants and properties located outside of the College Grove Redevelopment Project Area within the surrounding neighborhoods located in census tracts 27.05 and 27.06 will immediately benefit from the College Grove HELP since there currently does not exist any eligible participants and properties located within the College Grove Redevelopment Project Area. However, there may be eligible participants and properties to benefit from the College Grove HELP Program in the future. As such, the College Grove HELP is made applicable to all areas of the College Grove HELP Area, as defined in the Program Guidelines, which includes the Project Area and those surrounding neighborhoods located outside the Project Area in census tracts 27.05 and 27.06.

The loans 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 increased up to an additional \$5,000 for qualifying energy and water conserving improvements. The loans may be forgiven if the owners maintain residence at their properties for not less than 10 years.

Under California Redevelopment Law, the Agency and Council must make findings of benefit to the redevelopment project area from which funds are derived in order to spend those funds outside of the subject redevelopment project area. Because the College Grove HELP proposes to provide loans to participants who may live outside of the Project Area in the surrounding neighborhoods located in census tracts 27.05 and 27.06, the findings of benefit for the College Grove HELP and the Project Area are included as Attachment 2 to this report.

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, twenty percent (20%) 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 3 to this report.

The Agency proposes to enter into an Agreement with the San Diego Housing Commission to administer and manage the College Grove HELP and to provide outreach services for the program. By entering this Agreement, the Agency is delegating several responsibilities to the Housing Commission, including but not limited to: eligibility determination of the owner-occupant, 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. The Housing Commission successfully manages similar programs for the City Heights, Crossroads, North Park, and Linda Vista Redevelopment Project Areas. The Agreement between the Agency and the Housing Commission is included as Attachment 4 to this report.

FISCAL CONSIDERATIONS:

The College Grove Redevelopment Project Area currently has adequate low- and moderate income housing tax increment set aside fund to allow for the implementation of the College Grove HELP. An additional \$75,000 in College Grove low- and moderate- income housing tax increment set aside funds will be considered as part of an FY2010 budget proposal.

The funds will be transferred to the San Diego Housing Commission. The Housing Commission shall retain 15% of each program loan funded as compensation for managing, administering, and implementing the program.

The College Gove HELP 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.

ENVIRONMENTAL REVIEW:

This activity is not a "project" and therefore exempt from CEQA pursuant to State CEQA Guidelines, Section 15060(c)(3).

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On December 9, 2008, the Eastern Area Communities Planning Group voted 10-0-0 to recommend an initial investment of \$200,000 of low-and-moderate income housing tax increment set aside funds for the implementation of the College Grove HELP in census tracts 27.05 and 27.06 with loan terms identical to the Crossroads HELP.

KEY STAKEHOLDERS and PROJECT IMPACTS:

Owner-occupants of one- and two- unit properties within the Project Area or outside the Project Area in the surrounding neighborhoods located in census tracts 27.05 and 27.06 and whose gross household income is not greater than 100% of the Area Median Income.

Respectfully submitted,

Janice Weinrick
Deputy Executive Director
Redevelopment Agency/
Assistant Director
City Planning & Community Investment

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency/
Director
City Planning & Community Investment

- Attachments:
1. Map of the Project Area and the Census Tracts 27.05 and 27.06
 2. Findings of Benefit for the use of College Grove Redevelopment Project Area low- and moderate- income housing tax increment set-aside funds outside of the Project Area
 3. College Grove Redevelopment Housing Enhancement Loan Program Guidelines
 4. Agreement between the Agency and the Housing Commission