



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 15, 2009

REPORT NO.: RA-09-07

RTC NO.: RTC-09-046

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of April 21, 2009

SUBJECT: Housing Enhancement Loan Program (HELP) in the Southeastern Economic
Development Corporation (SEDC) Area of Influence

REQUESTED ACTION:

1. That the Redevelopment Agency adopt the revised SEDC Housing Enhancement Loan Program (HELP) Guidelines.
2. That the City Council and the Redevelopment Agency approve and adopt findings that permit the use of low-and-moderate income housing funds outside the Southcrest and Mt. Hope Redevelopment Project Areas.
3. 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 SEDC Housing Enhancement Loan Program.
4. That the Redevelopment Agency approve the expenditure of carry over low- and moderate-income housing funds for the SEDC Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE REDEVELOPMENT AGENCY:

1. That the Redevelopment Agency adopt the revised SEDC Housing Enhancement Loan Program (HELP) Guidelines.
2. That the Redevelopment Agency approve and adopt findings that permit the use of low-and-moderate income housing funds outside the Southcrest and Mt. Hope Redevelopment Project Areas.
3. 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 SEDC Housing Enhancement Loan Program.
4. That the Redevelopment Agency approve the expenditure of carry over low- and moderate-income housing funds for the SEDC Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE CITY COUNCIL:

1. That the City Council approve and adopt findings that permit the use of low-and-moderate income housing funds outside the Southcrest and Mt. Hope Redevelopment Project Areas.

SUMMARY:

The Southcrest Redevelopment Plan (the “Southcrest Plan”) was adopted on April 1, 1986. The Plan identifies various redevelopment priorities including the creation and rehabilitation of affordable housing units. Southcrest’s 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 Mt. Hope Redevelopment Plan (the “Mt. Hope Plan”) was adopted on September 14, 1982. The Plan identifies various redevelopment priorities including the creation and rehabilitation of affordable housing units. Mt. Hope’s 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 Southeastern Economic Development Corporation (SEDC) Housing Enhancement Loan Program (HELP Program) fulfills the objectives of the Redevelopment Plans by advocating for the rehabilitation of existing dwellings to improve physical deficiencies and preserve positive neighborhood characteristics of the Redevelopment Project Areas. The HELP Program provides significant community enhancement for the Southcrest and Mt. Hope Redevelopment Project Areas, as well as acts as a catalyst for further improvements in the area.

The revised SEDC HELP Program will provide one-time only forgivable Housing Enhancement Loans of up to \$35,000 at an annual simple interest rate of 3% to owner-occupants of one-unit and two-unit properties, within the SEDC HELP Area, whose gross household income is no greater than 100% of the Median Area Income. A map of the SEDC HELP Area is included as Attachment 1.

Under California Redevelopment Law, the Agency and Council must make a finding of benefit to the redevelopment project area from which funds are derived in order to spend those funds outside of the Project Area. Because there is such a nexus between the Southcrest and Mt. Hope Redevelopment Project Areas and the remainder of the SEDC Area of Influence, the findings for the SEDC HELP Program are straight-forward and included as Attachment 2 to this report.

The loans, up to \$35,000, 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 increased up to an additional \$10,000 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 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 3.

On or about November 27, 2001, the Agency and the San Diego Housing Commission approved an Agreement for the Housing Rehabilitation and First Time Homebuyer Programs in the redevelopment project areas and the area of influence managed by SEDC. This prior (master) Agreement was filed on January 23, 2002 with the office of the secretary to the Agency as Document D-03412.

The proposed Amended Agreement with the San Diego Housing Commission (included in this report as Attachment 4) shall amend, replace and supersede all those provisions of the Agreement D-03412 that pertain to the Housing Rehabilitation Program. It is the intent that this proposed Amended Agreement will not amend, replace or supersede any of the provisions of the Agreement D-03412 that pertain to the First Time Homebuyer Program.

The proposed Amended Agreement, continues to delegate several Agency 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.

Since 1991, the Housing Commission has administered and managed the Mt. Hope Rehabilitation Program, resulting in approximately 181 rehabilitation projects with an approximate investment of \$1,177,602 in tax increment. The Housing Commission has also managed the Southcrest Housing Rehabilitation Program and, since 1997, has managed over 115 rehabilitation projects utilizing \$573,702 in tax increment for this purpose. In addition, the Housing Commission successfully manages similar programs for the City Heights, Crossroads, Linda Vista, North Park and San Ysidro 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 and, on January 13, 2009, the Agency approved revised HELP Guidelines for the City Heights 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.

FISCAL CONSIDERATIONS:

As of June 30, 2008, there is approximately \$146,850 in carry over low- and moderate-income housing fund proceeds, accrued interest and loan repayments for use in the HELP Program in the SEDC Area of Influence. The Housing Commission's cost for outreach and administration are 15% of the loans funded. Assuming loan amounts up to \$45,000, this will result in approximately, four (4) rehabilitation loans and the creation of four (4) 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 November 27, 2001, the Agency approved an Agreement for the Housing Rehabilitation and First Time Homebuyer Programs in the redevelopment project areas and the area of influence managed by SEDC (filed with the office of the Secretary to the Agency as Document D-03412).

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On April 23, 2008, the SEDC Board voted to recommend the revisions to the SEDC Housing Enhancement Loan Program Guidelines, including: increase the loan amount to \$35,000, include \$10,000 for water and energy conserving improvement; expand the program to the SEDC Area of Influence; and standardize the SEDC 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 are up to four (4) low- and moderate-income, owner-occupants of residences located within the SEDC HELP Area. The SEDC HELP Program area is located in Council Districts 4 and 8.

ALTERNATIVE:

Do not approve the Amended Agreement by and between the Redevelopment Agency of the City of San Diego and the City of San Diego Housing Commission and do not approve the Findings of Benefit for the use of Southcrest and Mt. Hope Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.

Respectfully submitted,

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

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

Attachments: 1. Map of the SEDC HELP Area

2. Findings of Benefit for the use of Southcrest and Mt. Hope
Redevelopment Project Area low- and moderate-income housing set-aside
funds outside of the Project Area
3. SEDC Housing Enhancement Loan Program Guidelines
4. Amended Agreement between the Agency and the Housing Commission