



THE CITY OF SAN DIEGO

DATE ISSUED: July 8, 2009

REPORT NO.: RA-09-18

RTC NO.: RTC-09-067

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

SUBJECT: Agreement with Community HousingWorks to Administer Home in the
Heights Homebuyer Assistance Program

REQUESTED ACTIONS:

1. Adopt Findings of Benefit regarding the use of City Heights Redevelopment Project Area low and moderate income housing set-aside funds to fund the Home in the Heights Homebuyer Assistance Program (HITH) outside of the City Heights Redevelopment Project Area.
2. Approve the Agreement by and between the City of San Diego Redevelopment Agency (Agency) and Community HousingWorks to administer the HITH program in the City Heights Redevelopment Project Area and City Heights Community Planning Area for an amount not to exceed \$180,166 over three years from the date of execution of the Agreement with two 1-year options to renew and authorize the Agency Executive Director, or designee, to execute the Agreement.
3. Authorize the Agency Executive Director, or designee, to expend over three years from the date of execution of the Agreement up to \$180,166, with up to \$57,150 to be the expenditure for the first year, in City Heights tax increment housing set-aside funds for the administration of the HITH program in the City Heights Redevelopment Project Area and City Heights Community Planning Area, provided that City Comptroller furnishes one or more certificates demonstrating that the funds necessary for expenditure are, or will be on deposit, in the City Treasury.
4. Authorize the Agency Executive Director, or designee, to expend over three years from the date of execution of the Agreement up to \$2,700,000, with up to \$900,000 to be the expenditure for the first year, in City Heights tax increment housing set-aside funds for individual second mortgage loans to first-time homebuyers in the City Heights Redevelopment Project Area and City Heights Community Planning Area, provided that City Comptroller furnishes one or more certificates demonstrating that the funds necessary for expenditure are, or will be on deposit, in the City Treasury.



Redevelopment Agency

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City Planning & Community Investment



5. State for the record that this activity is not a “project” within the meaning of the California Environmental Quality Act (CEQA), specifically CEQA Guidelines §15378, and thus is not subject to CEQA pursuant to CEQA Guidelines §15060(c)(3).

STAFF RECOMMENDATIONS FOR REDEVELOPMENT AGENCY:

1. Adopt Findings of Benefit regarding the use of City Heights Redevelopment Project Area low and moderate income housing set-aside funds to fund the HITH program outside of the City Heights Redevelopment Project Area.
2. Approve the Agreement by and between the Agency and Community HousingWorks to administer the HITH program in the City Heights Redevelopment Project Area and City Heights Community Planning Area for an amount not to exceed \$180,166 over three years from the date of execution of the Agreement with two 1-year options to renew and authorize the Agency Executive Director, or designee, to execute the Agreement.
3. Authorize the Agency Executive Director, or designee, to expend over three years from the date of execution of the Agreement up to \$180,166, with up to \$57,150 to be the expenditure for the first year, in City Heights tax increment housing set-aside funds for the administration of the HITH program in the City Heights Redevelopment Project Area and City Heights Community Planning Area, provided that City Comptroller furnishes one or more certificates demonstrating that the funds necessary for expenditure are, or will be on deposit, in the City Treasury.
4. Authorize the Agency Executive Director, or designee, to expend over three years from the date of execution of the Agreement up to \$2,700,000, with up to \$900,000 to be the expenditure for the first year, in City Heights tax increment housing set-aside funds for individual second mortgage loans to first-time homebuyers in the City Heights Redevelopment Project Area and City Heights Community Planning Area, provided that City Comptroller furnishes one or more certificates demonstrating that the funds necessary for expenditure are, or will be on deposit, in the City Treasury.
5. State for the record that this activity is not a “project” within the meaning of the California Environmental Quality Act (CEQA), specifically CEQA Guidelines §15378, and thus is not subject to CEQA pursuant to CEQA Guidelines §15060(c)(3).

STAFF RECOMMENDATION FOR CITY COUNCIL:

1. Adopt Findings of Benefit regarding the use of City Heights Redevelopment Project Area low and moderate income housing set-aside funds to fund the HITH program outside of the City Heights Redevelopment Project Area.

SUMMARY:

Background

In January 2002, the City of San Diego Redevelopment Agency (Agency) approved the recommendation of the City Heights Redevelopment Project Area Committee (PAC) to allocate a portion of City Heights Redevelopment Project Area Low- and Moderate-Income Housing Funds (LMIHF) to subsidize the Home in the Heights Homebuyer Assistance Program (HITH) for low- and moderate-income residents. The goal of the program is to make homeownership more accessible and affordable to families seeking to reside within the City Heights Redevelopment Project Area and Planning Area (Project and Planning Area), with priority given to residents displaced by redevelopment projects within the Project Area. A map of the Project and Planning Area is provided as Attachment 1. The homeowner occupancy rate within the City Heights Project and Planning Area is substantially below the average rate for the San Diego region. Increased homeowner occupancy has been identified as an important factor for improving neighborhood stability, encouraging private investment, and improving the local housing stock. In order to address the needs of the community, the City Heights Redevelopment Plan and the City Heights Redevelopment Project Fourth Five-Year Implementation Plan include the goals of encouraging a larger degree of homeowner occupancy within the Project and Planning Area, stabilizing declining neighborhoods, improving the existing housing stock, and assisting low and moderate income families obtain affordable housing. The HITH program is a mechanism to implement and achieve these goals. The guidelines for the HITH program are included as Attachment 2 to this report.

Participants with a household income of 100% of the San Diego area median income (AMI) or less may qualify for a silent second loan amount of up to \$30,000 from the Agency. The term of the loan is twenty years. Principal and interest are forgivable over the 20-year period provided the participant remains an owner-occupant of the home and does not refinance the first mortgage debt without permission from the Agency.

The Agency's financial assistance to HITH program participants is in the form of a subordinate loan (i.e., silent second mortgage) evidenced by a promissory note and secured by a deed of trust recorded against the subject property.

Since the inception of the HITH program, ninety-three (93) first-time homebuyers have taken advantage of the loan program to leverage the down payment costs associated with a home purchase. Of those homebuyers, 74 participants (80%) have purchased homes within the boundaries of the City Heights Redevelopment Project Area, and 19 participants (20%) have purchased homes within the boundaries of the City Heights Community Planning Area. Pursuant to California Redevelopment Law, both the Agency and Council adopted findings of benefit via Resolution No. R-04241 and Resolution No. 303464, respectively, on March 14, 2008, stating that expenditure of City Heights Redevelopment Project Area LMIHF outside of the Project Area but within the Planning Area would promote the success of the City Heights Redevelopment and Implementation Plans.

Recently, considerable attention has been focused on the risks associated with sub-prime lending practices. Historically, the HITH program has insulated itself, the Agency, and the participants from these risks with strong lending guidelines and eligibility requirements. The agreement included in this report as Attachment 3, and subject to Agency approval with this action, would renew and strengthen these previously successful guidelines and requirements, which include, but are not limited to:

- The HITH participant is required to participate in homeownership classes to ensure his/her readiness to take on the responsibilities of mortgage debt service and home ownership.
- The HITH participant is required to provide a minimum down payment of three percent (3%) of the total purchase price for the home and to pay all closing costs.
- The first trust deed loan made to the HITH participant shall be a fixed interest rate loan for a thirty (30) year term and under the most favorable terms available.
- Property taxes and homeowner insurance premiums must be impounded and incorporated in the monthly payments on the first trust deed loan.
- In no event shall the first trust deed loan exceed a loan-to-value ratio of eighty percent (80%) and in no event shall the Agency loan together with the first trust deed loan, exceed a loan-to-value ratio of ninety percent (90%). In such case where a Participant is unable to obtain additional financing from other assistance programs, after making a reasonably good faith effort to do so, and where the participant provides to the Agency Executive Director or his/her designee proof of such, the Agency may allow that the Agency loan, together with the first trust deed loan, shall not exceed a loan-to-value ratio of ninety-seven percent (97%).
- When a refinance of a mortgage loan increases the original loan amount, the refinance must be approved by the Agency to avoid the Agency loan principal and interest becoming immediately due and payable. The increased mortgage resulting from the refinance must be used to rehabilitate to subject property and may not be used for luxury improvements (such as a spa) and/or items of personal property (such as a refrigerator).

In April 2008, the Agency entered into an agreement with Community HousingWorks, a non-profit organization, to administer the HITH program on behalf of the Agency. The agreement is set to expire on June 30, 2009.

Request for Proposals and Selection

The Agency prepared and released a Request for Proposals (RFP) on March 9, 2009, to solicit firms to administer the HITH program on behalf of the Agency. A total of three proposals were received, and a selection panel was convened. The selection process involved rating each proposal against the following nine (9) criteria: (a) conformance with specified format in RFP; (b) organization, presentation, and content of submittal; (c) specialized experience, technical competence, and strength of key personnel; (d) proposed methods and overall strategic plan to accomplish work in timely and competent manner; (e) knowledge and understanding of local environment and local presence; (f) willingness to make meaningful wide-range sub-consulting and employment opportunities available; (g) financial stability of principal firm or team; (h) ability to meet insurance requirements; and (i) and competitive price proposal. After rating the

proposals against the criteria independently and then discussion as a group, the selection panel determined Community HousingWorks to be the highest qualified firm.

Agreement Terms

An agreement would be executed with Community HousingWorks to administer the HITH program. It would have a term of three (3) years effective from the date of Agency approval and a not-to-exceed value of \$180,166 over the three-year period. Community HousingWorks would provide services in the following general areas: (a) marketing and outreach; (b) homeownership education; (c) loan application assistance; (d) loan application processing; (e) program management; and (f) monitoring and reporting. The scope of services included in the agreement is provided as Attachment 3 to this report and contains more information regarding the above mentioned general areas.

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. The findings for the HITH program are included as Attachment 4 to this report.

FISCAL CONSIDERATIONS:

The not-to-exceed value of the agreement over its first year is \$57,150 total. This assumes the issuance of 30 loans. Over the three-year term of the agreement and assuming a maximum five percent (5%) annual escalation rate, the not-to-exceed value is \$180,166 total.

Assuming the issuance of 30 loans per year at a maximum of \$30,000 per loan, the not-to-exceed value of the loans is \$900,000 total per year and \$2,700,000 total over three years.

The not-to-exceed value of the agreement and the loan funds taken together is \$957,150 total for the first year and \$2,880,166 total over three years.

The agreement would be funded in increments via the annual fiscal year budget. The Agency's total obligation under the agreement would be subject to Agency approval during the budget review process for each fiscal year during the three-year period. Funding would come from the City Heights Redevelopment Project Area tax increment housing set-aside funds or other appropriate funds. For each fiscal year, the City Comptroller would be requested to furnish one or more certificates demonstrating the funds necessary for the expenditure for the fiscal year are, or will be, on deposit in the City Treasury.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is not subject to the City's Equal Opportunity Contracting Ordinance (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708).

This agreement is subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS AGENCY AND/OR COUNCIL ACTIONS:

On March 14, 2008, the Agency approved via Resolution No. R-04242 an agreement by and between the Agency and Community HousingWorks for consultant services to administer the HITH program through June 30, 2009.

On March 14, 2008, the Agency authorized via Resolution No. R-04241 the expenditure of up to \$975,000 from the City Heights tax increment housing set-aside fund for the HITH program.

On March 14, 2008, the Agency approved via Resolution No. R-04240 the revised HITH program guidelines.

On March 14, 2008, the Agency and Council approved and adopted via Resolution No. R- 04241 and Resolution No. R-303464, respectively, findings that permit the use of low- and moderate income housing funds outside of the City Heights Redevelopment Project Area for the HITH program.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The RFP was advertised in the San Diego Daily Transcript to encourage broad participation in the competition. Notice of the RFP was also posted on the Agency's website and the Housing Opportunities Collaborative website and was distributed via e-mail to over 130 firms.

On March 3, 2009, prior to the release of the RFP, Agency staff solicited and received input from the Housing Subcommittee of the City Heights Redevelopment Project Area Committee (PAC) on the proposed scope of services and terms of the agreement. On May 5, 2009, the Housing Subcommittee of the City Heights Redevelopment PAC voted 6-0-0 to recommend approval of the agreement by the Agency. On May 11, 2009, the full City Heights Redevelopment PAC voted 15-0-1 to recommend approval of the agreement by the Agency.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Community HousingWorks is a 501(c)(3) not-for-profit organization governed by a volunteer board of directors. The HITH program would be of benefit to eligible first-time homebuyers with a household income of 100% AMI or less seeking to reside in the Project and Planning Area.

ALTERNATIVE:

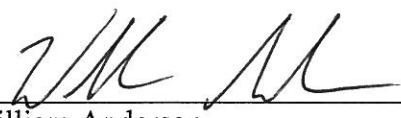
Do not approve the Agreement by and between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services to Administer the Home in the Heights Homebuyer Assistance Program in the City Heights Redevelopment Project Area.

Respectfully submitted,



Janice Wehrick

Deputy Executive Director of Redevelopment
Agency; Assistant Director of City Planning
& Community Investment Department



William Anderson

Assistant Executive Director of
Redevelopment Agency; Director of City
Planning & Community Investment
Department

Attachments:

1. Map of City Heights Redevelopment Project Area and Planning Area Boundaries
2. Home in the Heights Homebuyer Assistance Program Guidelines
3. Final Draft Agreement by and between the Redevelopment Agency of the City of San Diego and Community HousingWorks for Consultant Services
4. Findings of Benefit for Use of City Heights Redevelopment Project Area Low and Moderate Income Housing Set-Aside Funds Outside of Project Area