



THE CITY OF SAN DIEGO

DATE ISSUED: July 1, 2009

REPORT NO.: RA-09-19

RTC NO.: 09-072

ATTENTION: Honorable Chair and Members of the Redevelopment Agency Board
Council President and Members of the City Council
Docket of July 7, 2009

SUBJECT: Grantville Redevelopment Housing Enhancement Loan Program (HELP)

REQUESTED ACTIONS:

1. Approve the Grantville Redevelopment Housing Enhancement Loan Program (HELP) Guidelines.
2. Adopt Findings of Benefit regarding the use of Grantville Redevelopment Project Area low- and moderate-income housing set-aside funds to fund the HELP program outside of the Grantville Redevelopment Project Area.
3. Approve the Agreement by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission to administer and manage the HELP program and authorize the Agency Executive Director, or designee, to execute the Agreement.
4. Authorize the expenditure and transfer of \$160,000 to the San Diego Housing Commission for administration and management of the HELP program, of which approximately \$136,000 is to be used for rehabilitation loans and not to exceed \$24,000 is to be used for administrative costs.

STAFF RECOMMENDATIONS FOR REDEVELOPMENT AGENCY:

1. Approve the Grantville Redevelopment HELP Guidelines.
2. Adopt Findings of Benefit regarding the use of Grantville Redevelopment Project Area low- and moderate-income housing set-aside funds to fund the HELP program outside of the Grantville Redevelopment Project Area.
3. Approve the Agreement by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission to administer and manage the HELP program and authorize the Agency Executive Director, or designee, to execute the Agreement.
4. Authorize the expenditure and transfer of \$160,000 to the San Diego Housing Commission for administration and management of the HELP program, of which



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approximately \$136,000 is to be used for rehabilitation loans and not to exceed \$24,000 is to be used for administrative costs.

STAFF RECOMMENDATIONS FOR CITY COUNCIL:

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

SUMMARY:

The Redevelopment Agency of the City of San Diego (Agency) adopted the Redevelopment Plan for the Grantville Redevelopment Project on May 3, 2005. The Redevelopment Plan identifies various priorities in the Grantville Redevelopment Project Area (Project Area), including the provision of low- and moderate-income housing consistent with the community's goals and objectives. The Grantville Five-Year Implementation Plan was adopted on May 3, 2005, and reiterates the community's housing goals and objectives.

The Grantville Redevelopment Housing Enhancement Loan Program (HELP) fulfills the housing objectives of the Redevelopment Plan by advocating for the rehabilitation of existing dwellings to improve physical deficiencies and preserve positive neighborhood characteristics of the Project Area. The HELP program provides significant community enhancement for the Project Area and the adjacent neighborhoods in census tracts 96.02, 96.04, 97.03, as well as acts as a catalyst for further improvements in the area.

The proposed Grantville Redevelopment HELP program would provide one-time forgivable housing enhancement loans of up to \$20,000 at an annual simple interest rate of 3% to owner-occupants of one-unit and two-unit properties who live within the Project Area and outside the Project Area in census tracts 96.02, 96.04, and 97.03, and whose gross household income is no greater than 100% of the area median income (AMI). A map of census tracts 96.02, 96.04, and 97.03 is included as Attachment 1 to this report.

The loans would be used to address interior and exterior conditions of properties to repair health and safety hazards and to rehabilitate, repair, and install improvements. Improvements not eligible in existing rehabilitation programs, such as fencing, sidewalks, and landscaping, would be eligible under the HELP program. 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 at least 10 years.

A 10-year deed restriction would be imposed as a condition of the loans. The deed restriction would require that the owner either maintain residence at the property for at least 10 years or limit sale of the property to persons who would occupy the property and whose gross household income at the time of the sale be no greater than 100% of the AMI. Each year, starting with the sixth year of the loan and continuing through the tenth year, 20% of the loan would be forgiven. After ten years, the loan would be completely forgiven. The Grantville Redevelopment HELP program guidelines include more details and are included as Attachment 2 to this report.

The Grantville Redevelopment Project Area currently does not have residential properties. Although the proposed HELP program would be available to eligible residential properties within the Project Area in the future, it would primarily serve eligible residential properties in census tracts 96.02, 96.04, and 97.03. These census tracts are adjacent to but not within the Grantville Redevelopment Project Area. However, by enhancing eligible residential properties adjacent to the Grantville Redevelopment Project Area, the HELP program would contribute to fulfilling the goals of the Grantville Redevelopment Plan and Implementation Plans for the Project Area. The close proximity of the surrounding neighborhoods within census tracts 96.02, 96.04 and 97.03 to the Project Area promotes the success of the Plans, which include supporting and promoting the growth and vitality of the Grantville business environment, and providing direction, purpose, and climate for combined public and private investment resulting in benefits to the community as a whole.

Under California Redevelopment Law, the Agency (and the City Council of the City of San Diego) must make Findings 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 of Benefit for the Grantville Redevelopment HELP program are included as Attachment 3 to this report.

The Agency proposes to enter into an agreement with the San Diego Housing Commission (SDHC) to administer, manage, and provide outreach services for the program. By entering into this agreement, the Agency would delegate several responsibilities to SDHC, including, but not limited to:

- Evaluating and determining the eligibility of owner-occupants to participate in the program;
- Evaluating and determining the eligibility of properties and proposed improvements;
- Evaluating and determining each loan amount;
- Conducting ongoing compliance monitoring, certification of insurance compliance, and final project inspections;
- Managing Agency funds allocated toward the program and reporting on the expenditures;
- Executing Memoranda 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;
- Managing borrower defaults; and
- Processing all required financial documents with respect to each loan.

The Agency currently has agreements with SDHC to administer and manage the HELP program in other redevelopment project areas, such as City Heights, College Grove, Crossroads, North Park, Linda Vista, and San Ysidro, and also within the Southeastern Economic Development Corporation's Area of Influence. The proposed agreement between the Agency and SDHC to administer the Grantville Redevelopment HELP program would be similar to those already in place and is included as Attachment 4 to this report.

Note that it is the goal of Agency staff to make the HELP program consistent among the various project areas when it makes sense to do so, while also preserving the unique qualities and requirements of the various redevelopment project areas. During 2008, the Agency approved revised program guidelines for the Crossroads, Linda Vista, and City Heights Redevelopment HELP programs, and the guidelines for the Grantville Redevelopment HELP program are consistent with recent efforts by Agency staff.

FISCAL CONSIDERATIONS:

The Fiscal Year 2010 Agency budget includes \$160,000 in Grantville Redevelopment Project Area low- and moderate-income housing funds specifically dedicated to the HELP program. SDHC's cost for outreach and administration is 15% of the loans funded (or up to \$24,000), which is included as part of the \$160,000. Assuming loan amounts up to \$25,000, this will result in approximately five (5) rehabilitation loans and the creation of three (3) full-time equivalent jobs for one year.

The Grantville Redevelopment 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.

EQUAL OPPORTUNITY CONTRACTING:

In the proposed agreement between the Agency and SDHC, SDHC acknowledges and agrees that it is aware of, and shall comply with, the City's Equal Employment Opportunity Outreach Program and San Diego Municipal Code Sections 22.2701 through 22.2707 as specified in Section 4.3 of the agreement, and SDHC shall comply with the City's Nondiscrimination in Contracting Ordinance, set forth in San Diego Municipal Code Sections 22.3501 through 22.3517, as specified in Section 4.4 of the agreement.

This action does not authorize entering into any contract or agreement for home improvements; however, future contracts or agreements associated with this action will be subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS AGENCY AND/OR COUNCIL ACTIONS:

The Agency and Council have previously approved the implementation of the HELP program via agreements with SDHC in the following redevelopment project areas: City Heights, College Grove, Crossroads, Linda Vista, North Park, San Ysidro, and the Southeastern Development Corporation's Area of Influence.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

There is no Grantville Redevelopment Project Area Committee. On February 23, 2009, Agency staff presented the HELP program as an information item to the Navajo Community Planners, Inc. On May 18, 2009, the Navajo Community Planners, Inc., voted 9-4-0 to recommend the program for adoption by Council and the Agency for Fiscal Year 2010 provided that the program be reviewed on an annual basis and that quarterly reports be provided to the Navajo

Community Planners, Inc. The group expressed that the primary purpose of tax increment funds should be dedicated to affordable housing creation in the Grantville Redevelopment Project Area.

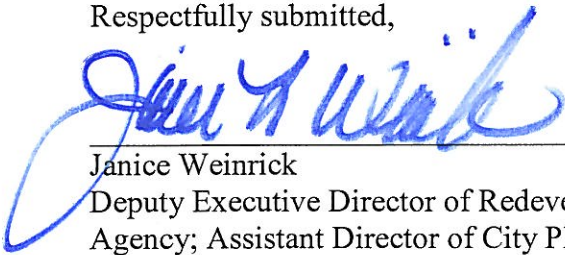
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The potential beneficiaries of these loans are up to five (5) low- and moderate-income owner-occupants of one- and two-unit properties located within census tracts 96.02, 96.04, and 97.03 of the Navajo and Tierrasanta community planning areas in Council District 7. It is also anticipated that there will be the creation of three (3) full-time equivalent jobs for one year.

ALTERNATIVE:

Do not approve the Grantville Redevelopment HELP program guidelines, the agreement by and between the Agency and SDHC, and the Findings of Benefit for the use of Grantville Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area.

Respectfully submitted,



Janice Weinrick
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Agency; Assistant Director of City Planning
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William Anderson
Assistant Executive Director of
Redevelopment Agency; Director of City
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Department

Attachments:

1. Map of Project Area and Census Tracts 96.02, 96.04, and 97.03 (Grantville Redevelopment Housing Enhancement Loan Program Area)
2. Grantville Redevelopment Housing Enhancement Loan Program Guidelines
3. Findings of Benefit for Use of Grantville Redevelopment Project Area Low- and Moderate-Income Housing Set-Aside Funds Outside of Project Area
4. Agreement by and between the Redevelopment Agency of the City of San Diego and the San Diego Housing Commission in Connection with the Grantville Redevelopment Housing Enhancement Loan Program