



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 22, 2008

REPORT NO.: RA-08-24

RTC NO.: RTC- 08-141

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and Members of the City Council
Docket of October 28, 2008

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

REQUESTED ACTION:

1. That the Redevelopment Agency adopt the revised Crossroads Redevelopment Project Area 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 Crossroads Redevelopment Project Area.
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 Crossroads Redevelopment Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE REDEVELOPMENT AGENCY:

1. That the Redevelopment Agency adopt the revised Crossroads Redevelopment Project Area 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 Crossroads Redevelopment Project Area.
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 Crossroads Redevelopment 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 Crossroads Redevelopment Project Area.

SUMMARY:

The Crossroads Redevelopment Plan (the "Plan") was adopted on May 6, 2003. The Plan identifies various redevelopment priorities including the creation and rehabilitation of affordable housing units. Crossroads' Second Five-Year Implementation Plan adopted on May 19, 2008 includes the continuation of the housing rehabilitation program for existing low and moderate-income dwelling units.

The Crossroads 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 Crossroads Redevelopment Project Area, as well as acts as a catalyst for further improvements in the area.

The HELP Program provides one-time only forgivable Housing Enhancement Loans of up to \$25,000 at an annual simple interest rate of 3% to owner-occupants of one-unit and two-unit properties, within the Crossroads HELP Area, whose gross household income is no greater than 100% of the Median Area Income. A map of the Crossroads 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 Crossroads Redevelopment Project Area and census tracts 27.03, 27.09 and 27.10, the findings for the Crossroads HELP Program are straight-forward and included as Attachment 2 to this report.

The loans, up to \$20,000, 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 \$5,000 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.

The proposed 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 into on or about September 27, 2004. 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.

The Housing Commission successfully manages similar programs for the City Heights, Linda Vista, Mount Hope and Southcrest Redevelopment Project Areas and also manages the current Crossroads HELP Program.

On July 8, 2008, the Agency approved HELP Program Guidelines for the North Park and San Ysidro 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:

The FY 09 Agency budget includes \$250,000 in Crossroads Redevelopment Project Area 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 \$250,000. Assuming loan amounts up to \$25,000, this will result in approximately, nine (9) rehabilitation loans and the creation of five (5) 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 \$250,000 in Crossroads Redevelopment Project Area low- and moderate-income housing funds for the Crossroads HELP Program.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On April 24, 2008, the Crossroads Redevelopment Project Area Committee voted to recommend several revisions to the Housing Enhancement Loan Program Guidelines, including: increase the loan amount to \$25,000, include \$5,000 for water and energy conserving improvement; reduce loan term from 12 years to 10 years; include a 25% value restriction; and include a provision to make the changes in the guidelines retroactive to the beginning of the calendar or fiscal year. On May 22, 2008, the Crossroads Redevelopment Project Area Committee voted to recommend the expansion of the Crossroads HELP Program to census tracts 27.03, 27.09 and 27.10.

KEY STAKEHOLDERS and PROJECT IMPACTS:

The potential beneficiaries of these loans are up to nine (9) low- and moderate-income, owner-occupants of residences located within the Crossroads HELP Area. The Crossroads HELP Program area is located in Council Districts 4 and 7.

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 Crossroads 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 and Community Investment

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency/
Deputy Chief Operating Officer
Executive Director of City Planning
and Development

- Attachments:
1. Map of the Crossroads HELP Area
 2. Findings of Benefit for the use of Crossroads Redevelopment Project Area low- and moderate-income housing set-aside funds outside of the Project Area
 3. Crossroads Housing Enhancement Loan Program Guidelines
 4. Amended Agreement between the Agency and the Housing Commission