



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 22, 2008

REPORT NO.: RA-08-28

RTC NO.: RTC- 08-155

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 Linda Vista
Redevelopment Project Area.

REQUESTED ACTION:

1. That the Redevelopment Agency adopt the revised Linda Vista 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 Linda Vista 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 Linda Vista Redevelopment Housing Enhancement Loan Program.

STAFF RECOMMENDATIONS FOR THE REDEVELOPMENT AGENCY:

1. That the Redevelopment Agency adopt the revised Linda Vista 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 Linda Vista 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 Linda Vista 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 Linda Vista Redevelopment Project Area.

SUMMARY:

The Linda Vista Redevelopment Plan (the "Plan") was adopted on November 21, 1972. The Plan identifies various redevelopment priorities including the creation and rehabilitation of affordable housing units. Linda Vista' Third Five-Year Implementation Plan adopted on June 15, 2004, includes the continuation of the housing rehabilitation program for low and moderate-income dwelling units.

The Linda Vista 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 Linda Vista 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 \$20,000 at an annual simple interest rate of 3% to owner-occupants of properties built prior to 1980, within the Linda Vista Community Planning Area, whose gross household income is no greater than 100% of the Median Area Income. A map of the Linda Vista Community Planning 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 Linda Vista Redevelopment Project Area and the Linda Vista Community Planning Area, the findings for the Linda Vista 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 also be used 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 July 28, 2005. 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, Crossroads, Mount Hope and Southcrest Redevelopment Project Areas and also manages the current Linda Vista 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. Each Redevelopment Project Area has unique characteristics and requirements and, due to this fact, staff solicited community input in structuring these HELP Program revisions. The varying community meeting schedules and levels of discussion regarding HELP Program criteria resulted in a staggered time-line for Agency Board consideration of the amended Agreements. It is anticipated that the remaining two HELP programs (City Heights and Southeastern Economic Development Corporation) will be presented to the Agency Board in the next thirty (30) to sixty (60) days.

FISCAL CONSIDERATIONS:

The FY 09 Agency budget includes \$18,400 in Linda Vista 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 \$18,400. In addition, of the initial Agency funding allocation of \$212,350 for the Linda Vista HELP Program, there exists as of June 30, 2008 approximately \$172,101 funds remaining that can be carried over to fund the loans provided pursuant to the Program and to pay for the administrative costs associated with the administration and management of the Program. This results in approximately \$190,501 for the Linda Vista HELP Program at this time. Assuming loan amounts up to \$20,000, this will result in approximately eight (8) 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 May 20, 2008, the Agency adopted the Redevelopment Agency Budget for Fiscal Year 2009, which included \$18,400 in Linda Vista Redevelopment Project Area low- and moderate-income housing funds for the Linda Vista HELP Program.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

There is no Linda Vista Redevelopment Project Area Committee. On April 28, 2008, the Linda Vista Community Planning Committee was provided with an informational report regarding the Linda Vista HELP Program and the revisions were well received.

KEY STAKEHOLDERS and PROJECT IMPACTS:

The potential beneficiaries of these loans are up to eight (8) low- and moderate-income, owner-occupants of residences located within the Linda Vista Community Planning Area, located in Council District 6.

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