



SAN DIEGO
HOUSING
COMMISSION

MEMORANDUM

To: Members of the San Diego Community

From: Jasmine Kotlarz, Special Programs Manager, San Diego Housing Commission

Date: February 15, 2018

Subject: City of San Diego Affordable Housing Fund Fiscal Year 2019 Annual Plan

The San Diego Housing Commission (SDHC) is soliciting written public comment regarding the programs that will be funded from the City of San Diego Affordable Housing Fund (AHF) in Fiscal Year (FY) 2019 (July 1, 2018 – June 30, 2019).

All submitted public comments will be included in the reports to the SDHC Board of Commissioners and the San Diego City Council.

The AHF is composed primarily of Inclusionary Housing Fees on residential developments and Housing Impact Fees, also known as linkage fees, on commercial developments.

The following documents are included below for public review:

- Projected Funding Sources – Fiscal Year 2019 AHF Annual Plan;
- Proposed Allocation of Fiscal Year 2019 AHF Revenues – Activity Detail;
- San Diego Housing Commission Model Programs Overview (Draft); and
- San Diego Housing Commission Model Programs List (Draft)

Please submit any written comments regarding these funds and programs no later than **Monday, March 5, 2018**. Comments should be submitted, via email or US mail to:

Jasmine Kotlarz
Jasminek@sdhc.org
or

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

PROJECTED FUNDING SOURCES
Fiscal Year (FY) 2019
Affordable Housing Fund Annual Plan

The Housing Trust Fund (HTF)

- Housing Impact Fee
- Loan Repayments:
 - HTF
 - Community Development Block Grants (CDBG) HTF;
 - Housing Rehabilitation HTF;
 - Redevelopment Funds;
 - Transient Occupant Tax (TOT); and
 - State Local Housing Trust Fund Program (LHTFP)

The Inclusionary Housing Fund

- Affordable Housing Fees (Residential Development)
- Loan Repayments

Fund	Projected Fund Balances	Projected FY19 New Funding	Total FY19 Funds
HTF - Housing Impact Fees and Repayments	\$8,156,383	\$1,717,214	\$9,873,597
HTF - Other HTF Funds (loan repayments)	\$3,660,626	\$62,738	\$3,723,364
Inclusionary Housing Fund - Inclusionary Fees and Repayments	\$39,517,926	\$9,200,576	\$48,718,502
TOTAL, ALL FUNDS	\$51,334,935	\$10,980,528	\$62,315,463

Description of HTF Funds:

Housing Impact Fees: Sole source of new HTF funds: Commercial Impact Fees.

Other HTF Funds:

Local Housing Trust Fund Program (LHTFP): Initial source was a State match grant, which was expended. A new grant was awarded and included in FY2016 funding. Fund balance consists of loan repayments and interest.

CDBG HTF: Repayments of CDBG-funded affordable housing loans were permitted to be allocated to the HTF for Rehabilitation activity. Repayments of loans are recycled into the HTF for Rehabilitation activity.

HTF Program Funds: Rehabilitation loan repayments that were recycled into the HTF.

Redevelopment: The HTF received Redevelopment funds in FY1993 and FY1995 (See TOT below).

TOT: At its 1990 inception the HTF received a portion of TOT funds. TOT funding ceased in 1992 and was replaced with Redevelopment funds in FY1993. Repayments of loans are recycled into the HTF.

Proposed Allocation of FY2019 AHF Revenues - Activity Detail

Program/Activity/Funding Source*		Fund Amounts	Estimated Production	Household AMIs Served
Rental Housing Finance	<i>Affordable Rental Housing Production</i>			
	Inclusionary	\$44,657,799	101 Rental Housing Units (represents new closings in FY2019).	Inclusionary-funded units are 65% AMI or lower.
	HTF Housing Impact Fee	\$7,618,213		AHF-funded units are typically 50% AMI or lower.
	Program Funds	\$3,723,364	661 units in development and for which funds were committed in a previous year	
	<i>Capacity Building</i>			
	HTF Housing Impact Fee	\$50,000	2 - 4 Grants	Grants for Affordable Housing Developers
	TOTAL	\$56,049,376		
Housing Innovations	<i>Transitional Housing grants</i>			
	HTF Housing Impact Fee	\$670,301	416 Transitional Housing beds	On average participants are extremely low to low income.
	Inclusionary	\$670,301		
Housing First San Diego 3.0	<i>Rapid Rehousing Grants</i>			
	HTF Housing Impact Fee	\$975,853	180 households	Participants are extremely low to low income Served AMI up to 80%
	Inclusionary	\$975,853		
	<i>Landlord Engagement</i>			
	Inclusionary	\$540,350	850 households housed	On average participants are extremely low to low income.
	<i>Prevention & Diversion</i>			
	Inclusionary	\$451,684	200 households diverted out of the homeless system	Serves AMI up to 80%
	<i>Capacity Building</i>			
	Inclusionary	\$75,000	Funding to secure a consultant and provide 2-4 trainings	Training and education for currently contracted service providers to improve service delivery to homeless households
	TOTAL	\$4,359,342		
Administration				
	Inclusionary	\$1,284,515		
	HTF Housing Impact Fee	\$509,230	Personnel, overhead, & MOU expense	
		\$1,793,745		
Administration - Legal				
	Inclusionary	\$63,000		
	HTF Housing Impact Fee	\$50,000		
		\$113,000		
Fund Balances				
		\$0	Unallocated Fund Balances may be allocated during the fiscal year in accordance with the Code and subject to appropriate approval process.	
TOTAL		\$62,315,463		

SAN DIEGO HOUSING COMMISSION MODEL PROGRAMS OVERVIEW

The San Diego Housing Commission (Housing Commission) allocates funding on an annual basis among the various activities authorized by the San Diego Municipal Code. Model Programs change from time to time; they are not intended to preclude investment in an opportunity that is not specifically described in the Model Programs section.

The following is a general description of the possible investment activities planned for Fiscal Year (FY) 2019. These activities are described more fully in Model Programs below.

Rental Housing Finance

Financing for developers of affordable housing units with below-market rents. This includes deferred loans, below-market interest rates, and matching funds for State, Federal, and private financing. The Housing Commission's Affordable Housing Notice of Funding Availability (NOFA) contains additional information regarding the Housing Commission's financial participation in affordable rental housing development, including new construction or acquisition with rehabilitation.

Permanent Supportive Rental Housing

Financing for developers of permanent affordable rental housing with supportive services that serve homeless populations. This program includes deferred loans, below-market interest rates, revocable grants, and matching funds for State, Federal and private financing. The Housing Commission's current Permanent Supportive Housing NOFA contains additional information regarding the Housing Commission's financial participation in housing development.

Middle-Income Housing – Mixed-Income Projects

A State-authorized pilot program similar to the Rental Housing Finance program targeted to middle-income households.

Affordable Housing Transit-Oriented Development (TOD) Revolving Loan Fund - Seed Money Investment

A Housing Commission public investment of \$10 million dollars to support the creation of a San Diego Affordable Housing TOD revolving loan fund as approved by the San Diego City Council in its final form.

Housing Rehabilitation Programs

Deferred loan program to help homeowners, as well as first-time homebuyers, with energy efficiency and sustainability upgrades.

First-Time Homeownership

Deferred loan and closing cost grant programs to help first-time homebuyers with the purchase of a home in the City of San Diego.

Homeless Housing Initiatives

The Housing Commission's Homeless Housing Innovations Division administers and operates multiple housing initiatives that serve homeless individuals and families who are at-risk of or experiencing homelessness throughout the City of San Diego. As part of the portfolio, the Division also oversees the City of San Diego's Homeless Services and Shelter Programs as well as the Housing Commission's strategic homeless initiatives such as HOUSING FIRST – SAN DIEGO. Examples of project-types the Division is responsible for include: capacity building, homeless prevention and shelter diversion, emergency shelters, transitional housing, supportive service only programs, interim bed programs, housing location, permanent supportive housing and rapid rehousing services.

Capacity Building

Technical assistance focused on increasing the capacity for service providers and development partners for permanent supportive housing.

Administration

Funds to provide reasonable compensation to the City of San Diego and Housing Commission for services related to the administration of the Affordable Housing Fund and associated housing programs.

Legal: Expenses to obtain legal services and prepare loan and grant agreements and related documents.

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SAN DIEGO HOUSING COMMISSION MODEL PROGRAMS

Legend:	HIF	Housing Impact Fund (local funding)
	INCL	Inclusionary Housing Fund (local funding)
	HOME	HOME Investment Partnerships Program (federal funding – U.S. Department of Housing and Urban Development (HUD))
	•	Represents eligible funding sources for each activity

RENTAL HOUSING PRODUCTION

Rental Housing Finance – 100% Affordable Projects		HIF	INCL	HOME	Other
Scope	<p>Below-market interest rate, subordinate loan program to increase the supply of affordable rental housing units in the City of San Diego, to include new construction, acquisition, and acquisition with rehabilitation. Projects must provide 100% of the units affordable to households at or below 60% of the San Diego Area Median Income (AMI) (manager units are excluded).</p> <p>Preference will be given to projects that meet at least one of the following criteria: 60 or more units, qualified as Transit-Oriented Development (TOD) located within an average 2,000-foot walking distance of a transit facility; located in a census tract with low-income concentrations of less than 41%; located north of Interstate 8; or a preservation project.</p>	•	•	•	• State
Target Population	Extremely low-, very low- and low-income households.				
Loan Terms	Maximum term to maturity is 55 years. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest are due and payable as a balloon payment at maturity. Loan may be originated as a construction loan and converted into permanent financing.				
Loan Underwriting	Subject to loan policies of the Housing Commission unless specific exception as authorized by the Housing Commission.				
Application Method	Funds for program to be made available through Notice of Funding Availability (NOFA).				

Rental Housing Finance - Permanent Supportive Housing		HIF	INCL	HOME	Other
Scope	A loan program for permanent housing with supportive services, which will maximize the ability of residents to live independently. Loans may be used for the development, acquisition or long-term leasing of housing facilities, improvements to existing facilities, and capitalized operating reserves.	●	●	●	●
Target Population	Extremely low- and very low-income homeless individuals and families identified as needing permanent housing in a service-enhanced environment; selection of individuals to be generally compatible with requirements of Federal funding sources.				
Loan Terms	Maximum term is 55 years. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest are due and payable as a balloon payment at maturity.				
Loan Underwriting	Loan may be originated as a construction or rehabilitation loan and converted into permanent financing. Subject to loan policies of the Housing Commission unless specific exception as authorized by the Housing Commission.				
Application Method	Funds for program to be made available through NOFA.				

Middle-Income Housing – Mixed-Income Projects		HIF	INCL	HOME	Other
Scope	<p>Below-market interest rate, subordinate loan program to increase the supply of affordable rental units in the city of San Diego, to include new construction, acquisition and acquisition with rehabilitation. Loans to developments wherein at least 40% of the units, excluding units available for managers, are affordable to and will be occupied by persons of low-income (80% AMI and below), as well as at least 10% of the units affordable to and occupied by persons of middle-income (150% AMI and below).</p> <p>Developments must meet at least one of the following criteria: qualified middle-income housing project is located in a “Promise Zone” or “Market Opportunity Area” identified in the Market Assessment submitted to the Housing Commission and Civic San Diego, dated November 17, 2016.</p>	●	●		● State
Target Population	Low-income households as well as middle –income households in mixed-income developments.				
Loan Terms	Maximum term to maturity is 55 years unless otherwise approved by the Housing Commission. Principal and interest may be fully deferred for the term of the loan or repaid annually through either fixed payments and/or residual receipts. All unpaid principal and interest are due and payable as a balloon payment at maturity. Loans may be originated as a construction loans and converted into permanent financing.				

Middle-Income Housing – Mixed-Income Projects		HIF	INCL	HOME	Other
Loan Underwriting	Subject to loan policies of the Housing Commission unless specific exception as authorized by the Housing Commission.				
Application Method	Funds for program to be made available through Request For Proposals (RFP) or NOFA.				

Affordable Housing Transit-Oriented Development (TOD) Revolving Loan Fund - Seed Money Investment		HIF	INCL	HOME	Other
Scope	A Housing Commission contribution of \$10 million that will be matched by Civic San Diego (Civic SD)/City of San Diego, for a total public investment of \$20 million dollars to support the creation of a San Diego Affordable Housing TOD revolving loan fund (San Diego TOD Fund), as further approved by the San Diego City Council in its final form. The public investment will serve as seed money to attract investment from commercial and non-profit financial institutions, program-related investments provided by foundations, and additional potential sources, such as area employers, corporate philanthropists and individuals. The Public Sponsors will affect which products the San Diego TOD Fund will offer, which development opportunity types will be prioritized, and which specific projects will receive a credit enhancement or guarantee. Day-to-day operations and comprehensive fund management services will be handled by a fund consultant.	●	●		● City
Target Population	Very low, low-, and middle-income households in mixed-income housing developments.				
Loan Terms	Loan terms will be structured once all investors are identified. The initial set of loan products to be offered by the fund may include but are not limited to: 1) Loans for acquisition and predevelopment of project-ready TOD sites that can be developed as affordable housing in short- to mid-term; 2) Loans for the acquisition and predevelopment of strategic TOD sites located near existing and planned transit that can be developed into affordable housing over the mid- to long-term; and 3) Loans for the rehabilitation of small- to mid-size (10-50 unit properties) that will retain and incorporate new affordable rental housing in transit-rich areas.				
Loan Underwriting	Subject to loan policies of the individual partner investors which will be guided by the Public Sponsors.				
Application Method	Funds are anticipated to be made available through a TOD Fund NOFA loan application process, submitted to individual partner investors for underwriting and loan approval, followed by a credit enhancement/guarantee approval from the Public Sponsors.				

HOUSING REHABILITATION PROGRAMS

Clean & Green Housing Rehabilitation Program		HIF	INCL	HOME	Other
Scope	A deferred loan program, for low-income homeowners, as well as first-time homebuyers. The Clean & Green Program offers loans for energy efficiency and sustainability upgrades to single-family detached, owner-occupied units. Examples of improvements to the home include roof replacement, electrical panel upgrade, solar panels (referral to solar company) and drought-tolerant landscaping. The Clean & Green Program can be a stand-alone rehabilitation loan for a low-income homeowner, or it can be funded in conjunction with a first-time homebuyer loan.	•	•	•	• CDBG
Target Population	The loan program targets households earning up to 80% of AMI that meet program eligibility and underwriting guidelines.				
Loan Terms	Loans are 3% simple interest and require no monthly payments. The loan term is 30 years. Principal and accrued interest are due as a balloon payment upon sale, cash-out refinance, non-owner occupancy, or upon maturity. Maximum loan amount is \$25,000 or 8% of the purchase price, whichever is less.				
Loan Underwriting	Subject to loan policies of the Housing Commission unless specific exception as authorized by the Housing Commission.				
Application Method	Homeowners apply directly through SDHC. Applications are underwritten and approved by Housing Commission staff.				

HOMEOWNERSHIP PROGRAMS

3% Interest, Deferred-Payment Loan Program		HIF	INCL	HOME	Other
Scope	A deferred second trust deed loan program for low- and moderate-income first-time homebuyers that bridges the gap between what households can afford and the actual cost of acquiring a home. The deferred loan program provides up to 17% of the purchase price to be used toward down payment.	•	•	•	• State CDBG
Target Population	The loan program targets households earning up to 100% of AMI that meet program eligibility and underwriting guidelines. The household AMI is determined by the available funding source.				
Loan Terms	Loans are at 3% simple interest and require no monthly payments. The loan term is 30 years. Principal and accrued interest are due as a balloon payment upon sale, non-owner occupancy, or upon maturity.				
Loan Underwriting	Subject to loan policies of the Housing Commission unless specific exception as authorized by the Housing Commission.				

3% Interest, Deferred-Payment Loan Program		HIF	INCL	HOME	Other
Application Method	Purchasers apply through participating lenders. Applications are underwritten and approved by SDHC Staff.				

Closing Cost Assistance Program		HIF	INCL	HOME	Other
Scope	A grant program for first-time homebuyers that provides up to 4% of the purchase price – not to exceed \$15,000 when the buyer’s income is at or below 80% of AMI, and not to exceed \$10,000 for buyers with income of 81%-100% of AMI. Grants are to be used toward the closing costs related to the purchase of a home in the City of San Diego.	•	•	•	• CDBG
Target Population	Households earning up to 100% of AMI that meet program eligibility and underwriting guidelines. The household AMI is determined by the available funding source.				
Terms	This is a grant forgiven at the close of escrow. There is no repayment required.				

HOMELESS HOUSING INITIATIVES

City of San Diego's Emergency Shelters		HIF	INCL	HOME	Other
Scope	The Housing Commission administers, on behalf of the City of San Diego, emergency shelter programs that provide temporary shelter with supportive services for persons experiencing homelessness.	•	•		•
Target Population	Homeless individuals, families, and Veterans.				
Terms	Up to 90 days.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

City of San Diego Temporary Bridge Shelters		HIF	INCL	HOME	Other
Scope	The Housing Commission administers, on behalf of the City of San Diego, bridge shelter programs that provide temporary shelter with supportive services designed to connect residents experiencing homelessness with permanent housing.	•	•		•
Target Population	Homeless individuals, families, and Veterans.				
Terms	Up to 120 days.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

City of San Diego Interim Housing Programs		HIF	INCL	HOME	Other
Scope	The Housing Commission administers, on behalf of the City of San Diego, interim housing programs with supportive services for homeless individuals, including but not limited to the City's Year-Round Interim Housing Program at the Paul Mirabile Center on St. Vincent de Paul Village's campus, Cortez Hill Family Center and the City's Interim Housing Program at Connections Housing Downtown.	•	•		•
Target Population	Homeless individuals and families.				
Terms	Up to 120 days.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Transitional Housing		HIF	INCL	HOME	Other
Scope	A grant and loan program for nonprofit operators of transitional housing. Grants and loans may be used for the leasing or operation of transitional housing facilities, as well as improvements to existing leased facilities. No more than 25% of grant funds may be used for administration and support services.	•	•		•
Target Population	Homeless families and individuals.				
Grant Terms	Up to 24 months.				
Application Method	Funds for program to be made available through RFP or NOFA.				

Transitional Project-Based Rental Assistance for Homeless San Diegans		HIF	INCL	HOME	Other
Scope	Rental assistance funds are issued to a partnering agency providing supportive services to homeless individuals while appropriate housing solutions are identified.				•
Target Population	Homeless individuals and families.				
Term	Assistance can range from three months to two years.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Rapid Rehousing		HIF	INCL	HOME	Other
Scope	Short and Medium-term assistance to help homeless individuals and families obtain and maintain permanent housing. Assistance may include rental assistance, - security deposits, move-in assistance, utility assistance, and case management. Depending on the funding source, no more than 25% of grant funds may be used for administration and supportive services.	•		• TBRA	•
Target Population	Homeless individuals and families.				
Term	Assistance up to two years. Can be three years depending on the funding source.				
Application Method	If partnering with a third-party operator, funds will be made available through an RFP.				

Federal Sponsor-Based Housing Voucher Program		HIF	INCL	HOME	Other
Scope	A rental assistance program for homeless individuals with diagnosed mental health or drug and alcohol disorders.				●
Target Population	Homeless individuals and families.				
Term	Indefinite (Permanent Supportive Housing).				
Application Method	Federal Sponsor-Based Housing subsidies are awarded to nonprofit or for-profit organizations, or “sponsors” – chosen through a competitive RFP process - to provide rental assistance to homeless San Diegans to help pay for their housing.				

City of San Diego’s Year-Round Day Center Services		HIF	INCL	HOME	Other
Scope	Homeless individuals are provided with basic needs assistance, such as laundry facilities, showers, mail, case management, storage, and referral services. Locations include but are not limited to the Neil Good Day Center.				●
Target Population	Homeless individuals.				
Terms	Daytime, Year-Round				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Regional Task Force on the Homeless (RTFH) Support		HIF	INCL	HOME	Other
Scope	The Housing Commission is a member of the RTFH, San Diego’s lead organization on ending homelessness, which consists of service providers, government agencies, the private sector, and other stakeholders key to achieving the mission. RTFH oversees Federal homeless assistance funds awarded by HUD for the region. The Housing Commission supports RTFH, such as support for the region’s Homeless Management Information System (HMIS), a critical component of the community’s service delivery system.		●		●
Target Population	Programs and services for homeless San Diegans.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Landlord Incentives		HIF	INCL	HOME	Other
Scope	The Landlord Incentives program of HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan, provides incentives to landlords with rental properties in the city of San Diego (ZIP code 92037 and ZIP codes that begin with 921, excluding 92118) who rent to homeless individuals.	●	●		●
Target Population	Imminently at risk of homelessness and literally homeless individuals and families.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Homelessness Prevention & Diversion		HIF	INCL	HOME	Other
Scope	Prevention and diversion assistance, which also is part of HOUSING FIRST – SAN DIEGO, will help at-risk and homeless individuals and families in the City of San Diego avoid becoming or remaining homeless and prevent long-term, repeated shelter	●	●		●
Target Population	Prevention targets those at imminent risk of homelessness, while diversion targets individuals as they apply for entry into a homeless shelter. Prevention helps families maintain their current housing situation. Diversion helps families stay out of the shelter system by identifying alternative. The program includes counseling, mediation and financial resources				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

Coordinated Outreach		HIF	INCL	HOME	Other
Scope	<p>HOUSING FIRST – SAN DIEGO also includes Coordinated Outreach, which expands support and coordination among street outreach efforts to:</p> <ul style="list-style-type: none"> • Connect individuals and families experiencing unsheltered homelessness to available housing resources • Incorporate data-driven strategies into existing outreach efforts • Track accepted and declined offers of shelter or other assistance • Connect those performing outreach with information on real-time opportunities and availability • Work directly and strategically with those who have been known to “turn down” services. 	•	•		•
Target Population	Homeless individuals and families.				
Application Method	If partnering with a third party operator, funds will be made available through an RFP.				

SDHC Moving On Rental Assistance Program		HIF	INCL	HOME	Other
Scope	<p>The SDHC Moving On Rental Assistance Program, one of the programs of HOUSING FIRST – SAN DIEGO, provides affordable housing solutions to formerly homeless families and individuals who are ready to transition out of permanent supportive housing, but who still need rental assistance. Rental assistance is provided through a Federal Moving to Work (MTW) initiative for approximately 25 individuals in the first year and up to 50 individuals by the third year. SDHC Moving On Rental Assistance provides assistance for formerly homeless individuals who have successfully stabilized and are able to live more independently while accessing community-based resources, as needed. Limited permanent supportive housing resources become available for vulnerable homeless individuals with greater need. SDHC Moving On Rental Assistance is a Housing Commission partnership with the County of San Diego Behavioral Health Services Division.</p> <p>.</p>	●		● TBRA	● Federal MTW Funds
Target Population	Formerly homeless low-income households.				
Term	Permanent.				
Application Method	Memorandum of Understanding between the County of San Diego Behavioral Health Services and the Housing Commission.				

CAPACITY BUILDING PROGRAM

Technical Assistance Program		HIF	INCL	HOME	Other
Scope	<p>A technical assistance program that will</p> <ul style="list-style-type: none"> Assist corporations and limited equity cooperatives in increasing the capacity to develop affordable housing and partner with service providers Program to provide “hands on” technical assistance in such areas as concept development, site assessment and acquisition, feasibility analysis, specification writing, bid packaging and review, permit procedures, construction oversight, grants and application preparation, service delivery plan preparation, record keeping and developer capacity assessments required by funding sources. Assist homeless service providers to increase capacity to provide effective, efficient, and high quality programs to address homelessness 	•			•
Target Population	Corporations and limited equity cooperatives with limited housing experience.				
Term	Grant is for the delivery of technical assistance services to housing developers. Scope of work will be articulated in contract documents.				
Application Method	Funds to be made available through RFP or Housing Commission contract policy.				