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We're About People

San Diego Housing Commission Local Efforts to Create and Preserve Affordable Housing in the City of San Diego July 31, 2018

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Creating and Preserving Affordable Housing Agenda

1. Local Housing Need
2. Affordable Housing Resources
 - a. Local, State, and Federal funding sources
3. Affordable Housing Financing
 - a. Model programs and housing production
4. Preserving and Extending Affordability
5. Local Policies and Trends





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Creating and Preserving Affordable Housing

Local Housing Need





Creating and Preserving Affordable Housing

Local Housing Need (Continued)

- Nearly 50% of San Diego households are unable to find rental housing they can afford.
- Approximately 60% of San Diego households cannot afford median-priced home ownership.
- Negative impacts from the low supply of housing:
 - Quality of life degraded
 - Environment negatively impacted
 - Talent available to employers constrained
 - City revenue lost
 - Direct construction jobs lost



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Local Housing Need (Continued)

- San Diegans must earn \$34.92 an hour or \$72,640 a year to afford a typical two-bedroom apartment rental.*
- Local minimum wage is \$11.50 per hour or \$23,920 per year
- According to data from the Bureau of Labor Statistics:
 - Education, Training occupations: \$61,890
 - Community and Social Service occupations: \$54,920
 - Office building occupations: \$41,100
 - Entertainment and Hospitality industry: \$32,830
 - Food prep and serving occupations: \$27,380

**National Low Income Housing Coalition's 2018 Out of Reach report*



Definition of Affordable Housing

- Assists low-income households earning up to 80% of area median income (AMI)
- Considered affordable when the resident pays no more than 30% of their income on gross housing costs, including utilities
- Made affordable when covenants restricting affordability are recorded on the property as the result of a public subsidy, such as local, state, or federal funds, invested toward construction or rehabilitation.

While affordable housing typically involves a number of financing sources, not all affordable housing in the City of San Diego is developed with resources from SDHC.





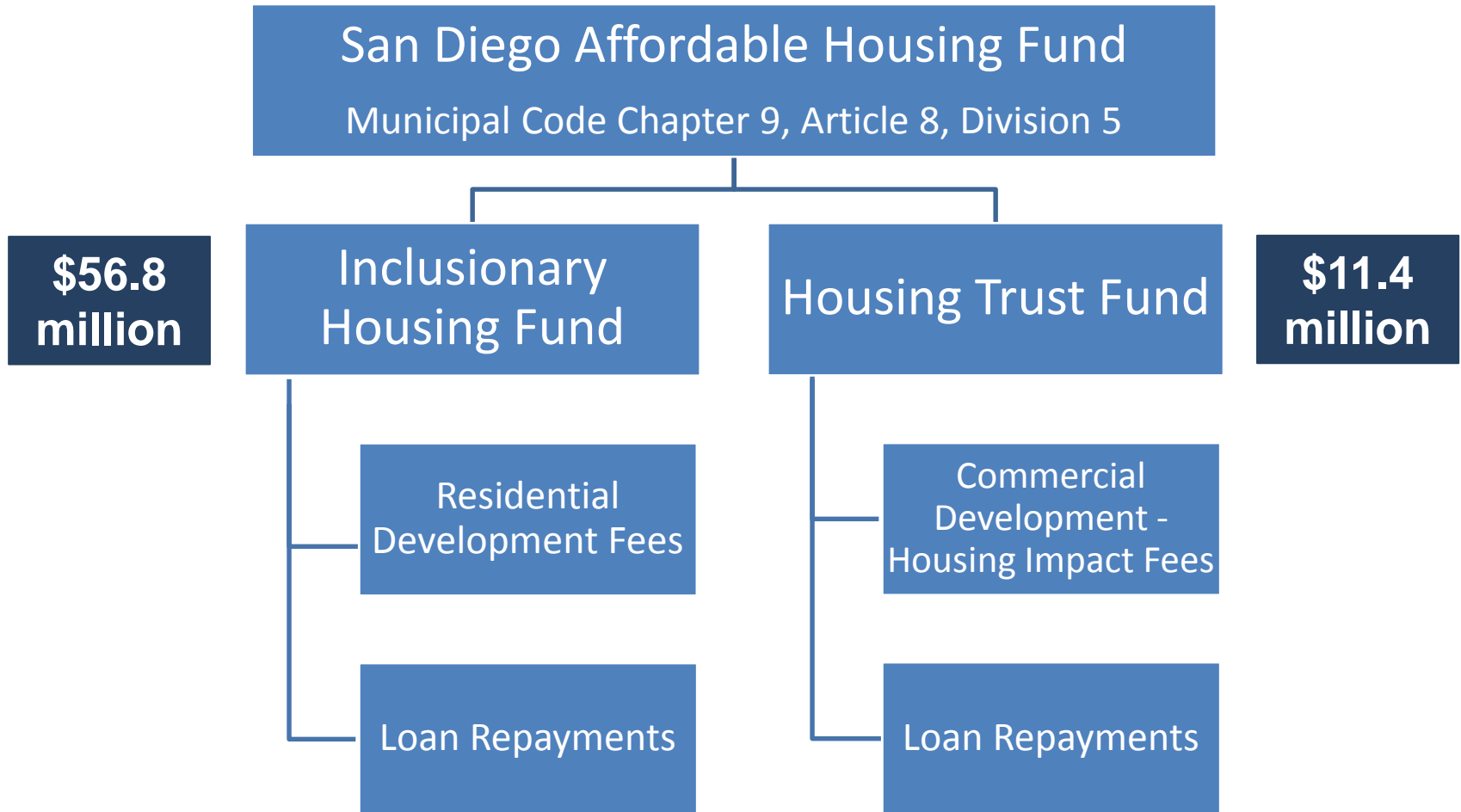
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Affordable Housing Resources



Creating and Preserving Affordable Housing Affordable Housing Resources (Continued)



Potential New Local Funding Sources

- City of San Diego CDBG: **\$10-\$12 million**
- Convention Center Ballot Measure:
 - Estimated **\$147 million** for homelessness in first five years
 - Estimated **\$2 billion** dedicated to homelessness over the life of the measure
- City Charter Amendment Ballot measure:
 - Estimated **\$22 million** for homelessness shelters, services and permanent supportive housing



State Funding Sources for Housing and Homelessness

- SB 2 (2017): **\$250 million** annually statewide for affordable housing development
- SB 3 (2018): **\$4 billion** statewide bond measure for affordable and supportive housing for people experiencing homelessness and individuals with disabilities
- SB 850 (2018): **\$32.9 million** in homelessness-related funding for to City of San Diego and Regional Taskforce on Homelessness
- No Place Like Home: **\$2 billion** statewide bond measure for permanent supportive housing for persons who are experiencing homelessness and who are in need of mental health services



Federal Funding Sources for Housing and Homelessness

- **HOME Investment Partnerships Program:** Awarded by the U.S. Department of Housing and Urban Development (HUD) to the City of San Diego and administered by SDHC toward the production of affordable housing
- **Section 8 Housing Choice Vouchers:** SDHC's largest program provides federal rental assistance to more than 15,000 income-eligible households in the City of San Diego; more than half of SDHC's rental assistance households are seniors or individuals with disabilities
- **Emergency Shelter Grants:** Awarded by HUD to the City of San Diego and administered by SDHC toward homelessness programs
- **Community Development Block Grant funds:** Awarded by HUD to the City of San Diego and administered by SDHC toward addressing homelessness, and the production of affordable housing





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Affordable Housing Financing





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Affordable Housing Financing (Continued)

- As a partner and lender, SDHC invests local and federal funds to create and preserve affordable rental housing.
- SDHC loans consist of:
 - City of San Diego Affordable Housing Fund
 - Inclusionary Housing fees
 - Housing Impact fees
 - HOME Investment Partnerships Program Funds
- Other affordable housing resources:
 - Multifamily Housing Revenue Bonds
 - Low-Income Housing Tax Credits, both 9% and 4%





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Affordable Housing Financing (Continued)

- SDHC authorizes the issuance of Multifamily Housing Revenue Bonds, subject to the approval of the Housing Authority of the City of San Diego:
 - Affordable housing developers obtain below-market financing because interest income from the bonds is exempt from state and federal taxes.
 - Bonds qualify affordable housing developments for federal tax credits.
 - NO FINANCIAL LIABILITY FOR CITY, HOUSING AUTHORITY OR SDHC - Private sources of funds, such as revenue from the development, are used to repay the bonds
- Developers apply independently to the State for both 4% and 9% Low-Income Housing Tax Credits (LIHTC), which further leverages local dollars to create affordable housing.





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Affordable Housing Production



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Affordable Housing Production (Continued)

7,645 UNITS COMPLETED
IN THE LAST 10 YEARS

2,470 UNITS UNDER
CONSTRUCTION OR
REHABILITATION

- **19 individual developments**
- **SDHC Loans: \$66.2 million**
- **Multifamily Housing Revenue Bonds: \$537 million**
- **Est. TDC: \$952 million**





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Creating and Preserving Affordable Housing Affordable Housing Production (Continued)

3,732

AFFORDABLE HOUSING
UNITS OWNED AND/OR
MANAGED BY THE
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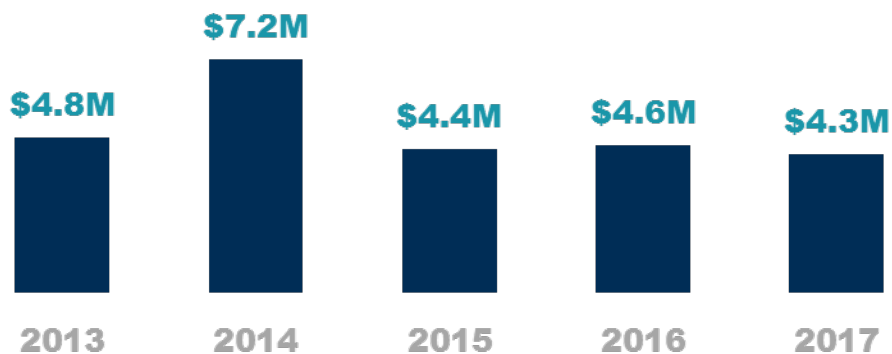
*Hotel Churchill
72 Permanent Supportive Housing Units
Downtown San Diego*



First-Time Homebuyer Program

// It's wonderful to come home and it's your home."

A total of **\$25.2 million** has been awarded by HUD and administered by SDHC to assist **507** households purchase their first homes in the last five years.



First-Time Homebuyer Madelyn and her son

4,684 Total Households Assisted Since Program Inception in 1990

\$79 million in Loans & Grants Awarded

\$86 million in Mortgage Credit Certificates





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Creating and Preserving Affordable Housing

Preserving and Extending Affordability



Housing Definitions:

Types of Affordable Housing Preservation

1. At-risk
2. Rehabilitation
3. Formerly affordable

Types of Market-rate Housing

1. Naturally occurring affordable housing
2. Market-rate housing
3. Luxury housing



Creating and Preserving Affordable Housing

Preserving and Extending Affordability (Continued)

Definitions of Affordable Housing Preservation

At-risk: 0-10 years

Multifamily rental housing complexes that receive government assistance under any federal, state, and/or local programs and are eligible to convert to market-rate units due to expiring use restrictions within **10 years**.

Rehabilitation: 10+ years

Federal, state, and local financing mechanisms are available to extend affordability for units that are in need of renovation, but not yet at risk of termination.

Formerly Affordable:

As previously restricted rental housing units convert to market-rate housing, there are sometimes opportunities to impose new affordable covenants on units so that they continue to be affordable to low-income tenants.





Creating and Preserving Affordable Housing Preserving and Extending Affordability (Continued)

- SDHC's Compliance Monitoring Department tracks tenant and landlord compliance with affordability requirements – which generally apply for 55 years – that stem from San Diego's:
 - Inclusionary Housing law,
 - Density Bonus land-use regulations, and
 - Housing built with financial support, including bond financing, from SDHC.
- At present, units produced under the Inclusionary ordinance are too new to be at risk of expiring. As they become at risk, these units will be included in the Housing Element, along with Density Bonus units.



- **SDHC Resources for Preservation**
 - **Multifamily Housing Revenue Bonds**
 - **Residual Receipts Loans**
 - **Property Acquisition:** SDHC may purchase properties at-risk of losing affordability
 - **Partnership interest:** SDHC may also extend terms of affordability by acquiring partnership interest in affordable housing developments

All of these options depend on the availability of resources at the time the development is eligible to convert to market-rate.





Creating and Preserving Affordable Housing Preserving and Extending Affordability (Continued)

- The City of San Diego Housing Element does not list any developments with expiring use-restrictions in 2019 or 2020.
- According to a recent study presented to the SDHC Board of Commissioners on March 10, 2017, the median total development cost per unit for acquisition and rehabilitation is **\$282,000**.
- To illustrate, the **709** units that were preserved between 2013 and 2017 would have an estimated total development cost of **\$199,938,000**.





Creating and Preserving Affordable Housing

Preserving and Extending Affordability (Continued)

- Historically, SDHC has not set aside funding exclusively for preservation, but rather responded to demand. The last Notice of Funding Availability for affordable housing development included priority points for preservation projects.
- In the last 10 years, SDHC has partnered with developers to create, preserve, or extend the affordability of approximately **7,645** affordable units:
 - **3,509**: affordability extended via acquisition/rehab (46%)
 - **4,136**: new affordable rental housing units built (54%)
- Smart Growth & Land Use Committee May 21, 2018: SDHC is currently pursuing process improvements, including:
 - Expanding an affordable housing database to better track affordability expiration, and
 - Hiring a preservation coordinator to analyze at-risk units and expand outreach to property owners and developers.





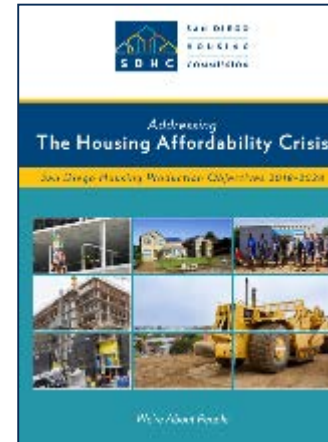
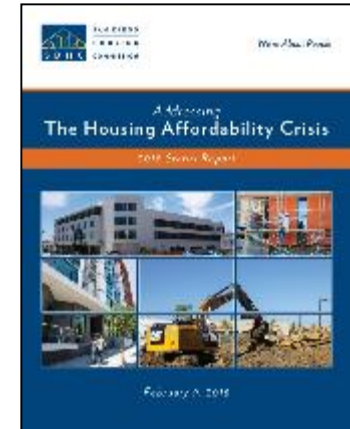
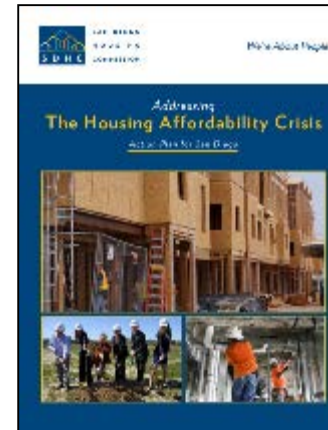
Local Policies & Trends



Creating and Preserving Affordable Housing Local Policies & Trends (Continued)

- ***Addressing the Housing Affordability Crisis: An Action Plan for San Diego***
 - Released November 25, 2015
 - 2018 Status Report Released February 9, 2018
 - Action has occurred on all 11 recommendations

- ***Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028***
 - Released September 21, 2017
 - Set citywide housing production objectives by neighborhood



Creating and Preserving Affordable Housing Local Policies & Trends (Continued)

- Housing production levels have not kept pace with population growth.
- Comparison with housing production in peer cities identifies additional housing shortfall in the City of San Diego.
- Estimated City of San Diego's housing need:
 - 150,000 – 220,000 units by 2028
- Annual production rate needed by 2028 to adequately meet the newly identified demand for housing in the City of San Diego:
 - 17,000 – 24,000 units
- Top annual production rate in City of San Diego within the last five years:
 - Approximately 6,400 units



Creating and Preserving Affordable Housing Local Policies & Trends (Continued)

- The City of San Diego has the capacity to meet its housing needs within the next 10 years.
- Five main sources for potential new units:
 1. Rezoning to increase density around transit hubs
 2. Redeveloping underutilized parcels of land
 3. Adapting disused industrial zones
 4. Infilling vacant lots
 5. Utilizing Companion Units



Geo-spatial analysis: Google map that overlays each of five sources on City of San Diego





Creating and Preserving Affordable Housing Local Policies & Trends (Continued)

Neighborhood	2018	1 yr		3yr		5yr				10yr		10 year total
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
BARRIO LOGAN	40 - 30	70 - 50	100 - 70	150 - 100	150 - 110	160 - 110	160 - 110	160 - 110	160 - 110	160 - 110	160 - 110	1,470 - 1,030
BLACK MOUNTAIN RANCH	40 - 40	80 - 60	120 - 90	180 - 120	190 - 130	190 - 130	190 - 130	190 - 130	200 - 140	200 - 140	200 - 140	1,780 - 1,250
CARMEL MOUNTAIN RANCH	20 - 20	40 - 30	70 - 50	90 - 60	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	940 - 660
CARMEL VALLEY	0 - 0											
CLAIREMONT MESA	210 - 180											
COLLEGE AREA	150 - 130											
DOWNTOWN	90 - 80											
ENCANTO NEIGHBORHOODS,SOUTHEASTERN	150 - 130											
GREATER GOLDEN HILL	40 - 30											
GREATER NORTH PARK	380 - 330											
KEARNY MESA	120 - 110											
LA JOLLA	30 - 30											
LINDA VISTA	190 - 160											
MID-CITY:CITY HEIGHTS	430 - 370											
MID-CITY:EASTERN AREA	90 - 70											
MID-CITY:KENSINGTON-TALMADGE	230 - 200											
MID-CITY:NORMAL HEIGHTS	140 - 120											
MIDWAY-PACIFIC HIGHWAY	120 - 100											
MIRA MESA	430 - 370											
MIRAMAR RANCH NORTH	20 - 20											
MISSION VALLEY	420 - 360											
NAVAJO	230 - 200											
OLD TOWN SAN DIEGO	0 - 0	10 - 10	10 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	180 - 120
OTAY MESA	190 - 160	350 - 270	540 - 390	760 - 530	800 - 550	810 - 560	830 - 570	830 - 570	840 - 580	840 - 580	840 - 580	7,620 - 5,340
OTAY MESA-NESTOR	100 - 90	190 - 140	290 - 210	410 - 280	430 - 300	440 - 300	450 - 310	450 - 310	450 - 310	450 - 310	450 - 310	4,100 - 2,870
PACIFIC BEACH	70 - 60	120 - 90	190 - 140	260 - 180	280 - 190	280 - 200	290 - 200	290 - 200	300 - 200	300 - 200	300 - 200	2,680 - 1,870
PACIFIC HIGHLANDS RANCH	20 - 20	40 - 30	60 - 40	80 - 50	80 - 60	90 - 60	90 - 60	90 - 60	90 - 60	90 - 60	90 - 60	800 - 560
PENINSULA	110 - 90	200 - 150	300 - 220	420 - 300	450 - 310	460 - 320	470 - 320	470 - 320	470 - 330	470 - 330	470 - 330	4,290 - 3,010
RANCHO BERNARDO	60 - 50	110 - 90	170 - 120	240 - 170	260 - 180	260 - 180	270 - 180	270 - 180	270 - 190	270 - 190	270 - 190	2,450 - 1,710
RANCHO PENASQUITOS	40 - 30	70 - 50	100 - 70	150 - 100	160 - 110	160 - 110	160 - 110	160 - 110	170 - 110	170 - 110	170 - 110	1,490 - 1,040
SABRE SPRINGS	30 - 20	50 - 40	70 - 50	100 - 70	110 - 70	110 - 80	110 - 80	110 - 80	110 - 80	110 - 80	110 - 80	1,030 - 720
SAN YSIDRO	100 - 90	200 - 150	300 - 220	430 - 300	450 - 310	460 - 320	470 - 320	470 - 320	470 - 330	470 - 330	470 - 330	4,290 - 3,010
SCRIPPS MIRAMAR RANCH	60 - 50	110 - 80	170 - 120	240 - 170	260 - 180	260 - 180	260 - 180	260 - 180	270 - 180	270 - 180	270 - 180	2,430 - 1,700
SERRA MESA	40 - 40	80 - 60	130 - 90	180 - 120	190 - 130	190 - 130	200 - 140	200 - 140	200 - 140	200 - 140	200 - 140	1,820 - 1,270
SKYLINE-PARADISE HILLS	160 - 140	310 - 230	470 - 340	660 - 460	710 - 490	720 - 490	730 - 510	730 - 510	740 - 510	740 - 510	740 - 510	6,720 - 4,700
SOUTHEASTERN SAN DIEGO,SOUTHEASTERN	190 - 160	350 - 270	540 - 390	750 - 520	800 - 550	810 - 560	830 - 570	830 - 570	840 - 580	840 - 580	840 - 580	7,600 - 5,320
TIERRASANTA	30 - 20	50 - 40	70 - 50	100 - 70	110 - 80	110 - 80	120 - 80	120 - 80	120 - 80	120 - 80	120 - 80	1,060 - 740
TORREY HIGHLANDS	10 - 10	30 - 20	40 - 30	60 - 40	60 - 40	60 - 40	70 - 50	70 - 50	70 - 50	70 - 50	70 - 50	600 - 420
TORREY HILLS	20 - 20	40 - 30	50 - 40	80 - 50	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	760 - 530
TORREY PINES	30 - 30	60 - 40	90 - 60	120 - 90	130 - 90	130 - 90	140 - 90	140 - 90	140 - 90	140 - 90	140 - 90	1,250 - 870
UNIVERSITY	250 - 220	490 - 370	740 - 530	1,030 - 720	1,090 - 760	1,110 - 760	1,130 - 780	1,130 - 780	1,140 - 790	1,140 - 790	1,140 - 790	10,380 - 7,270
UPTOWN	320 - 280	620 - 470	930 - 670	1,310 - 910	1,390 - 960	1,400 - 970	1,430 - 990	1,430 - 990	1,450 - 1,000	1,450 - 1,000	1,450 - 1,000	13,190 - 9,230
TOTAL	5,400 - 4,670	10,250 - 7,770	15,600 - 11,190	21,860 - 15,190	23,160 - 16,020	23,460 - 16,210	23,950 - 16,530	23,950 - 16,530	24,260 - 16,720	24,260 - 16,720	24,260 - 16,720	220,400 - 154,280





Future and Challenges





Creating and Preserving Affordable Housing Future Pipeline Developments

- Preliminary Commitments – Pending SDHC Board and/or Housing Authority Approval
 - Developments: 4
 - Total Units: 660 (650 affordable)
 - AMI Levels: 30 – 60%
 - New Construction: 3
 - Rehabilitation: 1
 - SDHC Loans Requested: \$28,650,000
 - Estimated Total Development Cost: \$146,000,000
 - Estimated Multifamily Housing Revenue Bonds: \$87,000,000





Creating and Preserving Affordable Housing Future Pipeline Developments (Continued)

- Conceptual Proposals – No Formal Application Has Been Submitted to SDHC
 - Developments: 8
 - Total Units: 443 (437 affordable)
 - AMI Levels: 30 – 60% (1 at 80 – 150%)
 - New Construction: 7
 - Rehabilitation & New Construction: 1
 - Estimated SDHC Loans Requested: \$37,200,000
 - Estimated Total Development Cost: \$151,000,000
 - Estimated Multifamily Housing Revenue Bonds: \$50,000,000





Creating and Preserving Affordable Housing FY 2019 Notices of Funding Availability

- HOUSING FIRST – SAN DIEGO Permanent Supportive Housing:
\$20 Million
- Affordable Rental Housing Development:
\$15 Million
- Affordable Rental Housing Rehabilitation:
\$10 Million



Creating and Preserving Affordable Housing Challenges

- Insufficient funding
- Availability of Land
- Materials costs rising
- Limited supply of labor
- Interest rate risk
- Need for both creation and preservation
- Community opposition



Creating and Preserving Affordable Housing Completed Developments & Rehabilitations



Atmosphere: 202 Affordable Units



Talmadge Gateway: 59 Affordable Units



San Diego Square: 154 Affordable Units



*Knox Glen Townhomes:
53 Affordable Units*



Studio 15: 273 Affordable Units



Courtyard Terrace: 87 Affordable Units





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Questions & Comments

