



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: April 2, 2021

HCR21-031

SUBJECT: Proposed Fiscal Year 2022 City of San Diego Affordable Housing Fund Annual Plan

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Financial Services Department

CONTACT/PHONE NUMBER: Tracey McDermott (619) 578-7737

REQUESTED ACTION:

Recommend that the San Diego City Council approve the proposed Fiscal Year 2022 City of San Diego Affordable Housing Fund Annual Plan.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Municipal Code requires the San Diego Housing Commission (Housing Commission) to adopt an Annual Plan for the use of the Affordable Housing Fund (AHF) revenues and prescribes parameters for the distribution of those projected revenues.
- The Municipal Code requires the Housing Commission to present the AHF Annual Plan to the Housing Commission Board and City Council for approval by June 30 of each year.
- This is a request to approve the Proposed Fiscal Year 2022 (FY 2022) AHF Annual Plan (Annual Plan) Program Activity Allocation of \$60,213,486 in anticipated funds (also included in the FY 2022 Housing Commission Proposed Budget) and the proposed Model Programs.
- The estimated affordable housing production impact would be: 1) Gap financing for approximately 129 rental units created for very low-income households; 2) 34 low- to median-income first-time homebuyers assisted; 3) 138 Transitional Housing beds provided for very low-income, formerly homeless individuals and families; 4) Interim Housing for 125 extremely low to low-income families or 450 individuals; 5) assistance to 40 households through Rapid Rehousing; 6) 1,000 households housed through the Landlord Engagement Program; 7) 321 households diverted out of the homeless system through the Prevention and Diversion Program and Flexible Spending Program and 8) assistance for up to 800 individuals through the Family Reunification Program .
- Housing Commission staff also recommend the following change to the Model Programs: addition of the Homelessness Response Center Program, which helps individuals and families who are experiencing homelessness obtain and maintain permanent housing.



REPORT

DATE ISSUED: March 25, 2021

REPORT NO: HCR21-031

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of April 2, 2021

SUBJECT: Proposed Fiscal Year 2022 City of San Diego Affordable Housing Fund Annual Plan

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Recommend that the San Diego City Council approve the proposed Fiscal Year 2022 City of San Diego Affordable Housing Fund Annual Plan.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend that the San Diego City Council (City Council) take the following actions:

- 1) Approve the Proposed Fiscal Year 2022 (FY 2022) City of San Diego Affordable Housing Fund (AHF) Annual Plan (Annual Plan) Program Activity Allocation of \$60,213,486 in anticipated funds (also included in the FY 2022 Housing Commission Proposed Budget) and the proposed Model Programs; and
- 2) Authorize the Housing Commission's President & Chief Executive Officer (President & CEO), or designee, to reallocate funds among the proposed Model Programs included in the FY 2022 AHF Annual Plan in response to market demands and opportunities.

SUMMARY

On June 3, 2003, the City Council amended San Diego Municipal Code (Municipal Code) Chapter 9, Article 8, Division 5 (Code) to create an Affordable Housing Fund. It was created to meet, in part, the housing needs of the City of San Diego's (City) very low-, low-, and median-income households and has two permanent, annually renewable funding sources:

1. Inclusionary Housing Fund (IHF), which is funded from fees charged to residential development; and
2. Housing Trust Fund (HTF), which is funded from fees charged to commercial development.

The Municipal Code requires the San Diego Housing Commission (Housing Commission) to adopt an Annual Plan for the use of the AHF revenues and prescribes parameters for the distribution of those projected revenues. The AHF Annual Plan must include a description of all proposed programs to be funded, intended beneficiaries and the allocation of anticipated funds. The AHF Annual Plan must be presented to the Housing Commission and City Council for approval by June 30 of each year.

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Proposed Fiscal Year 2022 Affordable Housing Fund Annual Plan

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Staff has proposed the FY 2022 (July 1, 2021 – June 30, 2022) allocations in accordance with estimated available resources and previously approved policy objectives. All proposed allocations are estimates. Attachment 2 details the FY 2022 projected revenue and fund balances and provides descriptions of AHF revenue sources. Attachment 3 shows the proposed allocation of funds by activity, as well as production estimates. Actual allocations will depend on Housing Commission and City Council final approvals, the timing of project applications, funding commitments and expenditure deadlines of other available funding sources. Attachment 4 shows approved and pending projects with funding from the AHF.

The proposed AHF Annual Plan (Attachment 1) describes the purpose and intent for the use of the AHF, descriptions on the uses of the two permanent sources of funds, fund allocations (inclusive of the reallocation of discontinued funds) and production.

Proposed Changes in the Model Programs

Housing Commission staff is recommending the following changes to the Model Programs:

1. Add the Homelessness Response Center Program, which help individuals and families who are experiencing homelessness obtain and maintain permanent housing.

AFFORDABLE HOUSING IMPACT

If all anticipated FY 2022 funds are collected and allocated as proposed, the estimated affordable housing production impact would be: 1) Gap financing for approximately 129 rental units created for very low-income households; 2) 34 low- to median-income first-time homebuyers assisted (other funding sources will enable the first-time homebuyer program to assist additional households); 3) 138 Transitional Housing beds provided for very low-income, formerly homeless individuals and families; 4) Interim Housing for 125 extremely low- to low-income families or 450 individuals; 5) assistance to 40 households through Rapid Rehousing; 6) 1,000 households housed through the Landlord Engagement Program; 7) 321 households diverted out of the homeless system through the Prevention and Diversion Program and Flexible Spending Program; and 8) assistance for up to 800 individuals through the Family Reunification Program .

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the proposed FY 2022 Housing Commission budget. Approving this action will not change the FY 2022 Total Budget, but will allocate funding sources among uses as shown in the following table:

Proposed Allocation of FY2022 AHF Revenues - Activity Detail

| Program/Activity /Funding Source | FY22 Budget | Production |
|--|---------------------|--|
| Rental Housing Production: Rental Housing Finance <i>Affordable Rental Housing Production & Permanent Supportive Housing</i> | | Unallocated Fund Balances may be allocated during the fiscal year in accordance with the code and subject to appropriate approval process. |
| <i>Prior Year Board Commitments</i> | 14,413,325 | |
| <i>FY20 NOFA (Earmarked)</i> | 10,300,000 | |
| <i>FY21 NOFA (Earmarked)</i> | 8,180,000 | 129 units (represents new closings in FY 2022) and 864 units in development and for which funds were committed in a previous year |
| Inclusionary | 10,673,352 | |
| HTF Housing Impact Fee | \$5,671,430 | |
| HTF Other - Rehab | \$723,660 | |
| <i>Companion Unit Loans</i> | | |
| Inclusionary | \$500,000 | Up to 10 units |
| TOTAL | \$50,461,767 | |
| Homeownership: <i>Deferred Payment loans;</i> <i>Closing Cost Assistance grants</i> Inclusionary | \$500,000 | Up to 34 households |
| Homeless Housing Initiatives: Housing Innovations <i>Transitional Housing Grants</i> HTF Housing Impact Fee | \$433,809 | 138 transitional housing beds |
| <i>Interim Housing Grants</i> HTF Housing Impact Fee | \$439,000 | 450 persons/125 families served |
| <i>Rapid Rehousing Grants</i> Inclusionary | \$419,000 | 40 households served |
| Housing First San Diego 3.0 <i>Landlord Engagement</i> Inclusionary | \$2,757,677 | 1,000 households housed |
| <i>Prevention & Diversion</i> Inclusionary | \$1,680,739 | 300 households prevented from entering homelessness / diverted from the homeless system |
| <i>Flexible Spending</i> Inclusionary | \$500,000 | 21 households served |
| <i>Family Reunification</i> Inclusionary | \$394,000 | Up to 800 persons served |
| TOTAL | \$6,624,225 | |
| Capacity Building: <i>Homeless Housing Initiatives</i> Inclusionary | \$25,000 | One to four trainings |
| | \$25,000 | |
| Administration | \$2,592,495 | Personnel, overhead, MOU expense |
| Administration - Legal | \$10,000 | |
| TOTAL | \$60,213,486 | |

PREVIOUS COUNCIL and/or COMMITTEE ACTION

The San Diego City Council has adopted an AHF Annual Plan each year in accordance with the Municipal Code.

On December 10, 2019, the City Council voted 7-2 to approve Municipal Code amendments (Ordinance No. O-21167) to update the Inclusionary Housing Ordinance. The updated ordinance will require new residential and mixed-use developments to include 10 percent of the on-site rental units as affordable housing for individuals with income up to 60 percent of the Area Median Income. Alternative compliance measures include the ability to pay a fee of \$25 per square foot to support the development of affordable rental housing, development of inclusionary units off-site, rehabilitation of existing units, and land dedication. These provisions will be phased in over five years, beginning on July 1, 2020.

On March 8, 2016, the City Council voted 9-0 to approve Municipal Code amendments that would allow the payment of the Housing Impact Fees, which are charged to commercial developments, to be deferred from building permit issuance to final inspection through the use of a Fee Deferral Agreement. The Municipal Code revision implemented one of the requested changes in the Memorandum of Understanding between the Housing Commission and the Jobs Coalition, and is based on the existing City of San Diego fee deferral program for Facilities Benefit Assessments and Development Impact Fees.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Housing Commission staff attended community planning group meetings in Midway-Pacific Highway, Chollas Valley, and Del Mar Mesa and organized two citywide virtual meetings in an effort to increase outreach. Staff gave a brief overview of the AHF, annual plan process and FY 2022 funding projections, with instructions on how to provide written comments. The public was able to submit written comments through March 23, 2021. The Housing Commission received no written comments.

KEY STAKEHOLDERS and PROJECTED IMPACTS

The beneficiaries of AHF programs are extremely low- to median-income households in the City of San Diego. Residential developers, nonprofit housing providers, and financial institutions may also be impacted by program changes.

ENVIRONMENTAL REVIEW

Approval of the FY 2021 AHF Annual Plan is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. To the extent that this action is determined to be a project it is exempt from the provisions of CEQA, 14 CCR § 15061(c) because the activity is covered by the common sense exemption because CEQA applies only to projects which have the potential for causing a significant effect on the environment. Here it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is, therefore, not subject to CEQA. Approval of the Annual Plan is also exempt under the National Environmental Policy Act pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,



Tracey McDermott
Senior Vice President & Chief Financial Officer
Financial Services Department

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments:

- 1) San Diego Affordable Housing Fund Annual Plan Fiscal Year 2022
- 2) Projected Funding Sources FY 2022 Affordable Housing Fund Annual Plan
- 3) Proposed Allocation of FY 2022 AHF Revenues – Activity Detail
- 4) Summary of Approved and Pending Multifamily Development Loan Commitments

Docket materials are available online in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.