



SAN DIEGO
HOUSING
COMMISSION

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San Diego Housing Commission (SDHC)
Participation in California Housing Finance Agency's (CalHFA)
Accessory Dwelling Unit (ADU) Grant Program
Presentation to the SDHC Board of Commissioners
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Sujata Raman
Vice President, Single-Family Housing Finance
Real Estate Division



SDHC – CalHFA’s ADU Grant Program

Introduction (Continued)

- April 2022: SDHC launched ADU Finance Pilot Program
 - Assists homeowners with low income (up to 80% of San Diego’s Area Median Income [AMI] in the City of San Diego.
 - Based on research and “lessons learned” from SDHC’s ADU Development Pilot Program.
 - Approvals:
 - SDHC Board and City Council: Affordable Housing Fund Annual Plans for Fiscal Year (FY) 2020, FY 2021, and FY2022
- Homeowners may choose:
 - Detached ADU
 - Attached ADU, including garage conversions
 - Permit-ready design/building plans available through the City of San Diego
 - Manufactured ADU
 - Custom-designed ADU



SDHC – CalHFA’s ADU Grant Program SDHC’s ADU Financing Pilot Program

- **Construction-to-Permanent Loan up to \$200,000**
 - SDHC funds the construction.
 - Partner bank funds the permanent loan.
- **Technical assistance** for all participating homeowners.
 - Helping homeowners with site feasibility, design, permitting etc.
 - Providing construction/project management support.
 - Consultant experienced in ADU development.
 - Identified through SDHC’s competitive Request for Proposal process.
 - No cost to the homeowner.



SDHC – CalHFA’s ADU Grant Program SDHC’s ADU Financing Pilot Program (Continued)

- **Target Population:** Low-Income Homeowners
- **Funding Source:** City of San Diego Inclusionary Housing Fund
- **Funding Amount:**
 - FY 2022 approved budget: \$500,000
 - FY 2023 proposed budget: \$2,200,000
- **Affordability Terms:**
 - Unit required to remain affordable for seven years for households with income up to 80 percent of AMI, currently \$104,100/year for a family of four.



SDHC – CalHFA’s ADU Grant Program

SDHC’s ADU Financing Pilot Program (Continued)

- SDHC construction loan will be refinanced into Permanent mortgage in collaboration with SDHC partner bank or Lender of homeowner's choice.

Loan Terms		
	Construction Loan by SDHC	Refinanced into Permanent Loan by Lender
Loan Amount	Up to \$200,000, subject to Lender underwriting	Up to \$200,000, subject to Lender underwriting
Loan Term	1% simple interest, deferred until take-out, up to 3 years.	2.5%, 30-year fixed. New first trust deed.
Affordability Restrictions on ADU	7-year restrictions at or below 80% AMI	
Loan-to-value (LTV) Restrictions	Max 60% LTV, including future value	Max 60% LTV, including future value
Debt Ratio	up to 50%	up to 50%
Minimum Credit Score	680	680
Future Rental Income Underwritten	Yes	Yes
Owner’s Contribution	1%	



SDHC – CalHFA’s ADU Grant Program CalHFA

- CalHFA: State’s affordable housing lender, providing financing programs to low- and moderate-income households.
- September 2021: Launched ADU grant program to help homeowners with a grant offered through private loan officers.
- April 2022: Expanded the ADU grant program to include local housing authorities.
 - Requires a resolution approved by the housing authority’s governing body.
- **Grant amount:** Up to \$40,000/homeowner
- **Target Population:** Low-Moderate-Income Homeowners
- **Allowable Use:** Predevelopment and non-reoccurring closing costs associated with construction of ADU.



SDHC – CalHFA’s ADU Grant Program SDHC-CalHFA Collaboration

- SDHC’s ADU Financing Pilot program can be bundled with the CalHFA ADU Grant Program for additional benefit to homeowners.
- Application process:
 - Homeowner is pre-approved by SDHC and refinance mortgage lender.
 - Homeowner applies for ADU grant with CalHFA.
- Portion of CalHFA’s \$40,000 grant to be used for SDHC’s ADU Technical Assistance Consultant.
- Remaining grant funds applied toward other predevelopment costs incurred by homeowner.
- This lowers ADU construction loan principal that homeowner has to repay.



SDHC – CalHFA’s ADU Grant Program Staff Recommendations

That the SDHC Board of Commissioners take the following actions:

- 1) Adopt a resolution, as required by CalHFA, authorizing SDHC to enter into a Lender Participation Agreement (Attachment 1) with CalHFA to participate in their ADU Grant program and utilize these grant funds in conjunction with SDHC’s own ADU Finance Pilot program. Staff for CalHFA has indicated CalHFA will not accept any changes to the Lender Participation Agreement.
- 2) Authorize SDHC’s President & Chief Executive Officer (President & CEO), or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.



Questions & Comments

