



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: September 20, 2022

HCR22-099

SUBJECT: State of California Housing and Community Development Local Housing Trust Fund
Program Project Revision

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Jennifer Kreutter (619) 578-7709

REQUESTED ACTION:

Approve a revision to the projects identified in the previously approved Housing Authority of the City of San Diego resolution that authorized the San Diego Housing Commission to submit an application on behalf of the City of San Diego and commit matching funds of \$5 million for the application to the State of California's Local Housing Trust Fund Program.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On July 28, 2020, the Housing Authority authorized the Housing Commission to submit an application for funds through a Notice of Funding Availability (NOFA) the California Department of Housing and Community Development (HCD) had released on April 30, 2020, for Matching Grants for Local Housing Trust Funds.
- On January 13, 2021, HCD staff asked the Housing Commission to revise the previously approved Housing Authority resolution to incorporate a list of projects to which the NOFA funds would be applied.
- On February 5, 2021, HCD staff informed the Housing Commission that \$5 million in matching State grant funds has been awarded to the Housing Commission to be used for eligible projects that create or preserve affordable housing within the City of San Diego.
- On April 13, 2021, the Housing Authority approved the revision to the previously approved Housing Authority resolution to incorporate a list of eligible projects to which the NOFA funds would be applied (HA-1903).
- Three of the previously approved four projects are now under construction.
- The fourth project that was previously approved, The Orchard by Affirmed Housing, was deemed ineligible due to HCD's required interest rate, as described in more detail in the staff report.
- The loan provided by the Housing Commission for The Orchard will not be impacted as the total loan of \$8,300,000 will remain the same; the funding is made up of other available funding sources.
- The staff-recommended actions in this report are to approve a revised list of projects. The Housing Commission is requesting to substitute The Orchard with the Cortez Hill development. This project is expected to begin construction by the end of calendar year 2022.
- The previously approved matching funds as well as the previously approved grant revenues were included in the Housing Authority-approved Fiscal Year 2023 Housing Commission Budget.



REPORT

DATE ISSUED: September 14, 2022

REPORT NO: HCR22-099

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September 20, 2022

SUBJECT: State of California Housing and Community Development Local Housing Trust Fund
Program Project Revision

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Approve a revision to the projects identified in the previously approved Housing Authority of the City of San Diego resolution that authorized the San Diego Housing Commission to submit an application on behalf of the City of San Diego and commit matching funds of \$5 million for the application to the State of California's Local Housing Trust Fund Program.

STAFF RECOMMENDATION

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

- 1) Approve a revision to the previously approved Housing Authority resolutions (HA-1868 and HA-1903) that authorized the Housing Commission's President & Chief Executive Officer (President & CEO), or designee, in a form of an amended resolution, a revised resolution, or a new resolution, or such other form of resolution, as determined by the office of the City Attorney, to apply on behalf of the City of San Diego, for \$5 million in funding from the State of California's Local Housing Trust Fund Program, to comply with the State of California Department of Housing and Community Development's request to change the resolution to update the list of projects to which the funds would be applied.
- 2) Authorize the Housing Commission's President and Chief Executive Officer (President & CEO), or designee, to substitute approved projects with any other project(s) deemed eligible and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient, and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of the General Counsel.
- 3) Affirm that the President & CEO, or designee, is authorized to commit \$5 million in matching funds on a dollar-for-dollar basis from the City of San Diego's (City) Affordable Housing Fund, as required by the Notice of Funding Availability (NOFA) and as previously approved in Resolution No. HA-1868 and HA-1903.
- 4) Affirm that the President & CEO, or designee, is authorized to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals, as previously approved in Resolution No. HA-1868 and HA-1903.

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SUMMARY

On April 30, 2020, the California Department of Housing and Community Development's (HCD) Local Housing Trust Fund Program (LHTFP) released a Notice of Funding Availability (NOFA) for Matching Grants for new and existing Local Housing Trust Funds. Funds available through this NOFA are from the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), adopted by voters on November 6, 2018, to be used for the purposes set forth in California Health and Safety Code Section 50842.2, and subject to the Guidelines adopted in April 2020. The application deadline was August 3, 2020.

On July 28, 2020, the Housing Authority authorized the Housing Commission to submit an application for funds through this NOFA (Report No. HAR20-025; Resolution No. HA-1868). The Housing Authority-approved resolution conformed to the HCD resolution requirements at the time. The Housing Commission submitted an application for funding before the program deadline.

On January 13, 2021, HCD staff asked the Housing Commission to revise the previously approved Housing Authority resolution to incorporate a list of projects to which the NOFA funds would be applied.

On February 5, 2021, HCD staff informed the Housing Commission that \$5 million in matching State grant funds has been awarded to the Housing Commission to be used for eligible projects that create or preserve affordable housing within the City of San Diego. This funding opportunity is available for new or existing Local Housing Trust Funds.

On April 13, 2021, the Housing Authority approved the revision to the previously approved Housing Authority resolution to incorporate a list of eligible projects to which the NOFA funds would be applied (HA-1903). Three of the previously approved four projects are now under construction. The staff-recommended actions in this report are to approve a revised list of projects. The fourth project that was previously approved, The Orchard by Affirmed Housing, was deemed ineligible due to HCD's required interest rate of 3 percent. The Housing Commission's loan closed in October 2020 at an interest rate of 4 percent. While decreasing the interest rate to 3 percent could have been beneficial to the project, legal counsel, the tax credit investor and the developer's accounting firm all agreed that issues with IRS regulations and related reporting would have occurred if the developer moved forward with the request. As such, the Housing Commission is requesting to substitute The Orchard with the Cortez Hill development. By approving the action to replace The Orchard with Cortez Hill, the loan provided by the Housing Commission for The Orchard will not be impacted as the total loan of \$8,300,000 will remain the same; the funding is made up of other available funding sources.

State matching funds can be used to provide construction loans and/or permanent financing loans to pay for construction or rehabilitation of affordable rental housing developments, emergency shelters, permanent supportive housing, transitional housing and affordable homebuyer/homeowner projects. Program funds may also be used to assist income-eligible first-time homebuyers to purchase homes and to rehabilitate houses owned by income-eligible occupants, as well as to construct, convert, reconstruct, rehabilitate and/or repair Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs). At least 30 percent of program funds and matching funds must be used on eligible projects that are affordable to, and restricted for households with income at or below 30 percent of Area Median Income (AMI), currently \$39,050 per year for a family of four in the City of San Diego. No more than

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20 percent of the total amount of the LHTFP funds and matching funds can be expended on eligible projects affordable to, and restricted for households with income at or below 120 percent of AMI, \$128,300 per year for a family of four in the City of San Diego. The remaining LHTFP funds and matching funds shall be used for eligible projects that are affordable to and restricted for, households with income at or below 80 percent of AMI, currently \$104,100 per year for a family of four in the City of San Diego.

Further, use of the funds will also be required to comply with the City of San Diego Affordable Housing Fund program rules. It is anticipated that the funds will be used to develop multifamily affordable rental housing or permanent supportive housing developments serving households with income ranging from 30 percent to 60 percent of AMI, currently \$39,050 to \$78,060 per year for a family of four in the City of San Diego.

AFFORDABLE HOUSING IMPACT

The awarded State funds will increase revenues available for use within the City of San Diego Affordable Housing Fund by \$5 million, thus positively impacting the availability of affordable housing in the City for extremely low-income, low-income and moderate-income residents.

Three projects utilizing the State of California HCD LHTFP are currently under construction. The three projects are Jamboree Housing's permanent supportive housing at San Ysidro, Community HousingWorks' Ulric Street I Apartments, and Kingdom Development and MAAC's Ventana al Sur. If the project revision is approved, Community HousingWorks' Cortez Hill project development will be the fourth project. This project is expected to begin construction by the end of calendar year 2022.

FISCAL CONSIDERATIONS

The previously approved matching funds as well as the previously approved grant revenues were included in the Housing Authority-approved Fiscal Year 2023 Housing Commission Budget.

Funding sources are as follows:

State Local Housing Trust Funds – up to \$5,000,000

Funding uses are as follows:

Affordable Rental Housing Development – up to \$5,000,000

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Community Housing Works is committed to equity and inclusion as both an employer and a service provider. The Housing Commission included a requirement in the NOFA for prospective applicants to include a narrative and specific examples of activities and initiatives that support equity assurance. Community Housing Works demonstrates a commitment to advancing racial equity and inclusion through project design and operational policies, throughout the proposed project timeline.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

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PREVIOUS COUNCIL and/or COMMITTEE ACTION

The Housing Commission has sought matching grants from the State of California Office of Housing and Community Development Local Housing Trust Fund Program funds on three prior occasions: City Council Resolution R-298562 (Attachment 2), passed on November 3, 2003, authorized an application that resulted in an award of \$2 million to the City of San Diego Affordable Housing Fund. These funds were used, in part, to finance three affordable housing developments: Becky's House II, Sunburst Apartments and Veterans Village Phase Two.

City Council Resolution R-304523, passed on December 15, 2008, authorized an application, submitted in January 2009. That application was not selected for funding. This resolution also authorized the Housing Commission to submit an application in response to "any subsequent NOFA's issued and to request a finding allocation for affordable housing activities in the City of San Diego that are in accordance with the Housing Trust Fund and the LHTF Program."

Housing Authority Resolution HA-1617, passed on April 15, 2014, authorized an application that resulted in an award of \$1 million to the City of San Diego Affordable Housing Fund. These funds were used for new construction of 59 permanent supportive housing units at Talmadge Gateway.

Housing Authority Resolution HA-1868, passed on July 28, 2020, authorized an application that resulted in an award of \$5 million to the City of San Diego.

Housing Authority Resolution HA-1903, passed on April 13, 2021, authorized a revision to HA-1868 resolution to incorporate a list of projects that would utilize the funding.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Proposed projects will be presented to the applicable Community Planning Groups for their review and input.

KEY STAKEHOLDERS and PROJECTED IMPACTS

This funding opportunity would benefit extremely low-income to moderate-income residents of the City of San Diego. Affordable housing developers are also potential stakeholders.

ENVIRONMENTAL REVIEW

The application for State funding is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is 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. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

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Respectfully submitted,

Jennifer Kreutter

Jennifer Kreutter
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

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