

Item #11

DATE ISSUED: January 24, 2008

ATTENTION: Centre City Development Corporation
Meeting of January 30, 2008, Agenda 658

SUBJECT: Affordable Housing – FY 2008 Funding Priorities and Transaction
Guidelines -- Areawide

STAFF CONTACT: Eri Kameyama, Associate Project Manager

REQUESTED ACTION: Establish affordable housing funding priorities for Fiscal Year 2008 and recommend that the Redevelopment Agency of the City of San Diego (“Agency”) adopt the “Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines” for Agency financial assistance for affordable housing projects.

STAFF RECOMMENDATION: That the Centre City Development Corporation (“Corporation”) establish affordable housing funding priorities for the Fiscal Year 2008 (“FY 2008”) Centre City and Horton Plaza Low and Moderate Income Housing Funds; and that the Corporation recommend that the Agency adopt the Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines intended to standardize and streamline the negotiations and approval process for Agency-assisted affordable housing projects city-wide.

SUMMARY: The remaining funds in the FY 2008 for affordable housing are \$56.37 million, which include proceeds from the housing bond currently in process. This report contains an update on spending to date and recommended funding priorities for the remainder of the fiscal year. With the goal of streamlining the negotiations and approval process for affordable housing projects funded by the Redevelopment Agency, the Affordable Housing Collaborative (consists of the City’s Redevelopment Division, SEDC, CCDC and San Diego Housing Commission) has developed the City-wide “Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines” (“Guidelines”). The draft Guidelines were reviewed and approved by the Collaborative’s Executive Loan Committee on December 20, 2007 (Attachment E).

FISCAL CONSIDERATIONS: This action is not a commitment of Agency funds. Funding requests will be considered on a project-by-project basis. The current estimate of resources available for affordable housing from the Centre City and Horton Plaza Low and Moderate Income Housing Fund (“Low/Mod Funds”) includes:

FY 2008 Budget	\$103.89 million
Adjustments	\$ 9.35 million
FY 2008 Expenditures to Date	<u>\$ (56.87 million)</u>
Amount Currently Available	\$ 56.37 million

The amount available includes a \$50.4 million bond issue to be completed in FY 2008 currently in process.

COMMITTEE RECOMMENDATION: On January 16, 2008, the Real Estate Committee voted unanimously (Kilkenny, Maas, Cruz, Shaw) to approve the staff recommendation.

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: On January 23, 2008, the Centre City Advisory Committee (CCAC) voted 20 in favor, 0 opposed with 1 abstention; and the Project Area Committee (PAC) voted 18 in favor, 0 opposed with 1 abstention in favor of the staff recommendation with the caveat that the Corporation establish affordable housing funding priorities for FY 2008; and recommend that the Agency adopt the expenditure of low and moderate income housing fund policy and transaction guidelines intended to standardize and streamline the negotiations and approval process for the Agency-assisted affordable housing projects city-wide.

The motion was further amended to include that the changed market be considered to look at better uses of funds, given market changes.

OTHER RECOMMENDATIONS: On April 5, 2007, the Corporation Board of Directors reviewed and provided direction on affordable housing funding priorities. The Board further directed staff to prioritize projects that propose family housing and permanent supportive housing, with emphasis on sites north of Broadway, and to initiate the developer selection process for construction of low-income rental units on the Agency-owned site at Ninth and Broadway.

On December 20, 2007, the Collaborative's Executive Loan Committee approved the Guidelines unanimously (3-0). Before recommending the Guidelines to the Agency, CCDC and SEDC need to receive approvals from their Boards of Directors.

CHANGES SINCE BOARD COMMITTEE MEETING: This item has not changed since the Committee action noted above.

BACKGROUND

California Community Redevelopment Law ("State Law") requires that not less than 20% of tax increment generated in a redevelopment project area be used for the purposes of increasing, improving and preserving the community's supply of affordable housing for low- and moderate-income households at or below 120% of area median income. Within the redevelopment project area, at least 15% of all new or rehabilitated dwelling units developed must be affordable to low- or moderate-income households; and not less than 40% of the affordable units must be affordable to very low-income households with incomes at or below 50% of area median.

Downtown's affordable housing production currently exceeds the minimum requirements established by State Law with 2,617 completed affordable housing units (18% of new residential development) with 1,549 of those affordable units (57%) reserved for very low-income persons.

DISCUSSION

To date, a total of \$55,132,000 in FY 2008 Centre City and Horton Plaza Low and Moderate Income Housing Funds has been encumbered for affordable housing projects.

Affordable Housing Funds FY 2008

FY 2008 Beginning Balance	\$103,888,000
Adjustments	\$ 9,354,000
Administration/Consultants	\$ (1,900,000)
AVAILABLE FOR PROJECTS	\$111,342,000
Funds Committed as of 1/08:	
Cortez Hill Phase II	\$ 4,128,000
Homeless Seniors Program	\$ 282,000
Parkside apartments	\$ 13,800,000
First Time Homebuyer Program	\$ 1,200,000
13 th and Market Acquisition	\$ 1,584,000
Ten Fifty B	\$ 33,975,000
	54,969,000
AMOUNT REMAINING FY 2008	\$ 56,373,000

FY 2008 Affordable Housing Funding Priorities – Staff recommends utilizing the remaining funds in the FY 2008 budget to develop affordable housing developments to continue progress in implementing the affordable housing goals in the Downtown Community Plan, adopted in February 2006. Proposed projects have been identified to address each of the five affordable goals in the Downtown Community Plan, including (1) geographic distribution, (2) home ownership, (3) rental housing, (4) single room occupancy units, and (5) homeless and special needs housing. The following table shows the proposed priorities for the remainder of the FY 2008.

Proposed Budget Priorities for FY 2008

AMOUNT REMAINING FY 2008	\$ 56,373,000
Proposed to be Set Aside for Program/Projects:	
9 th and Broadway	\$ 24,000,000
Supportive Housing (100 new units)	\$ 10,000,000
Permanent Homeless Shelter land acquisition	\$ 10,000,000
Hotel Metro purchase option	\$ 630,000
	\$ 44,630,000
AMOUNT REMAINING FOR PROJECTS	\$ 11,743,000
Proposal being Reviewed:	
Cedar Gateway	\$ 7,210,000
AMOUNT REMAINING	\$ 4,533,000

An outline of the proposed affordable housing funding priorities (Attachment A), a budget summary (Attachment B), proposed project comparisons (Attachment C), and fact sheets describing proposed projects (Attachment D) are provided for consideration by the Committee.

Affordable Housing Transaction Guidelines – Affordable housing development proposals requesting local subsidies in the City of San Diego are submitted through different channels to the Redevelopment Division of the City of San Diego, CCDC, SEDC or the San Diego Housing Commission. The four agencies formed the Affordable Housing Collaborative (“Collaborative”)

and established the Peer Review Process to introduce potential development projects in different parts of the City, compare projects submitted to different agencies and allow opportunity for discussion. To provide consistency among the three agencies under the Agency (Redevelopment Division, CCDC and SEDC) in reviewing and underwriting affordable housing projects assisted by the Redevelopment Agency's Low and Moderate Income funds, the Collaborative developed the Guidelines to be utilized in reviewing development proposals and negotiating development agreements for projects funded by the Agency.

The Guidelines provide basic policy guidelines and transaction guidelines for development costs, developer fee, annual reserves, sources of funds, and other Agency loan terms. Although every project is unique and will require flexibility, the Guidelines should streamline the negotiations and approval process by providing clear expectations for all project sponsors. In the event the proposed project does not conform to the Guidelines, the staff report to the CCDC Board and Agency will delineate such discrepancies from the terms in the Guidelines. The Collaborative will periodically review these guidelines to ensure consistency with the law and regulations.

Items for Further Review – Staff is in the process of developing additional guidelines to address questions and concerns on the following two programs:

- 1) **Affordable Housing Density Bonus Program** – Staff is working with a consultant to prepare a handbook for developers and low- and moderate-income buyers. The handbook will provide guidelines on the application process, terms of restrictions, sales of restricted units, monitoring of restricted units, resale procedures and other details necessary to implement the program. In addition, staff will review the following policy issues and prepare recommendations for the CCDC Board:
 - Comparability of units – When affordable units are mixed with market rate units in a development, what is the definition of comparable bedroom mix, design and overall quality of construction?
 - Monitoring – Who is responsible for monitoring long-term affordability restrictions in developments with price restricted condominiums?
 - Long-term resale restrictions – What happens upon resale of price restricted condominiums? Who will screen qualified buyers, calculate the maximum resale price, and prepare closing documents? What is the process for owners upon resale?
 - Risk to the owners of restricted units upon resale – There is a possibility where the owners of restricted units would have to sell their units at prices lower than their purchase prices if interest rates or HOA dues go up significantly. CCDC may need to create a reserve fund to make up the difference between the restricted resale price and original sales price in case this happens. This fund could also be used in case of foreclosures.

- 2) **First Time Homebuyer Program** – Staff is working with a consultant to review the effectiveness of the existing First Time Homebuyer Program (“Program”) and possibility for restructuring, if necessary. Since its inception in 2002, the Program has not been very effective in providing loans to first time homebuyers in the Downtown area, partly due to

the Program's restriction on the properties' sales prices. The Program is funded by the Low- and Moderate-Income Housing Fund, and therefore, is subject to the laws and regulations of the California Redevelopment Law. The regulations require the total housing cost for a borrower (including mortgage, Home Owner Association fees, property tax, insurance and utility cost) not exceed 35% of the 110% of Area Median Income. Due to this requirement, the Agency could only provide loans for properties priced below the mid-\$200 thousands. It has been difficult for a buyer to find a property in this price range in Downtown San Diego.

In October 2007, the Agency approved an additional \$1.2 million for the Program to fulfill its obligation to provide 25 First Time Homebuyer Program loans to low- and moderate-income buyers at the Smart Corner project per the Disposition and Development Agreement. The remaining Program funds are sufficient only to meet this obligation and CCDC is not accepting applications from non-Smart Corner buyers at this point.

A consultant is conducting research on First Time Homebuyer Programs offered by other jurisdictions in California and possible solutions to the problems with the existing Program. Staff plans to present recommendations to the CCDC Board in the near future.

Environmental Impact - This activity is not a project, and therefore not subject to CEQA per CEQA Guidelines Section 15060(c)(3).

CONCLUSION

The Guidelines will provide basic policy and transaction guidelines for development costs, developer fee, annual reserves, sources of funds, and other Agency loan terms and should streamline the negotiation and approval process. Staff recommends approval of the FY 2008 Affordable Housing Funding Priorities and Guidelines.

Respectfully submitted,

Concurred by:

Eri Kameyama
Associate Project Manager

Nancy C. Graham
President

Attachments: Attachment A – Funding Priorities Outline
Attachment B – Budget Summary
Attachment C – Proposed Project Comparisons
Attachment D – Fact Sheets
Attachment E – Expenditure of Low and Moderate Income Housing Fund Policy
and Transaction Guidelines

Affordable Housing – FY 2008 Funding Priorities

Attachment A

Downtown Affordable Housing Goal	Community Plan Objectives	Projects Underway	FY 2008 Priorities	FY 2008 Funds Spent To Date	FY 2008 Proposed Funding Priorities
Geographic Distribution	3.4-G-1: Continue to promote the production of affordable housing in all of downtown's neighborhoods and districts.	Projects north of Broadway Ten Fifty B – Approved, 226 units	Prioritize projects north of Broadway, especially in Little Italy.	\$34M -Ten Fifty B (226 units)	\$7.2 M – Cedar Gateway (65 units)
Home Ownership	3.4-G-2: Create affordable home ownership opportunities for moderate income buyers.	Proposed affordable for-sale units in density bonus projects: 39 units - 16 th & G 16 units - Library Tower 65 units – Mondrian 18 units - Monaco 31 units – Riviera <u>6 units</u> – Bahia View 175 units total First time homebuyer loans (25) to Smart Corner condo buyers	Provide homebuyer assistance to Smart Corner condo buyers. Review the effectiveness of existing First Time Homebuyer Program and restructure it if necessary. Prepare Density Bonus Handbook for developers and low/mod buyers for implementation of the program.	\$1.2M - Smart Corner (25 loans)	None
Rental Housing	3.4-G-3: Increase the supply of rental housing affordable to low-income persons.	Rental projects with affordable units in the pipeline: 136 units - 16 th & Market 226 units – Ten Fifty B 76 units - Parkside 5 units - Citiplace 41 units - Gateway Apts. (Outside Downtown) <u>85 units</u> - La Entrada (Outside Downtown) 569 total	Finance development of family housing projects.	\$13.8M - Parkside (76 units, for families) \$ 1.6M - 13 th & Market parcel \$ 34M – Ten Fifty B (226 units for families)	\$7.2M - Cedar Gateway (65 units, family + special needs)
SRO and Living Units	3.4-G-4: Preserve and expand supply of single room occupancy and living units affordable to very low-income persons.	SRO/Living Units projects in the pipeline 273 units - Studio 15	Finance development of new SRO and living units.	None	\$24M - 9 th & Broadway (250 units total, with 140 living units)
Homeless and Special Needs Housing	3.4-G-5: Support development of projects that serve homeless and special needs populations.	Hotel Metro study and homeless seniors voucher program	Create 100 units of supportive housing for chronically homeless mentally ill, and identify site for a transitional housing homeless facility.	\$4.1M - Cortez Phase II \$0.3M – Senior vouchers	\$10M - Supportive housing (100 units) \$10M – Permanent homeless shelter land \$0.6M - Hotel Metro option
Total		1,017 affordable units in the pipeline		\$55 million committed \$56 million remaining 302 affordable units	\$52 million requested \$ 4 million remaining 415 affordable units

* Total FY 2008 appropriation = \$113.2 million subtract \$1.9 million for administrative and consultant costs = \$111.3 million available for projects.

Updated 1/16/07

FY 2008 LOW AND MODERATE INCOME HOUSING FUNDS BUDGET SUMMARY

BEGINNING BALANCE

FY 2008 Budget	\$	103,888,000
Adjustments	\$	9,354,000
Administration/Consultants	\$	(1,900,000)

AMOUNT AVAILABLE FOR PROJECTS **\$ 111,342,000**

PIPELINE PROJECTS (FUNDS COMMITTED)

Cortez Hill Family Center Phase II	\$	4,128,000
Homeless Senior Rental Assistance	\$	282,000
Parkside Apartments	\$	13,800,000
First Time Homebuyer Program	\$	1,200,000
13th and Market Acquisition	\$	1,584,000
Ten Fifty B	\$	33,975,000

TOTAL ENCUMBERED/COMMITTED TO DATE **\$ 54,969,000**

FUNDING PRIORITIES FOR THE REMAINDER OF FY 2008

SET ASIDE FOR PROGRAM/PROJECTS

9th and Broadway	\$	24,000,000
Supportive Housing	\$	10,000,000
Permanent Homeless Shelter	\$	10,000,000
Hotel Metro Option	\$	630,000

TOTAL SET ASIDE FOR PROGRAM/PROJECTS **\$ 44,630,000**

REMAINING FOR PROJECTS **\$ 11,743,000**

PROPOSALS BEING REVIEWED*

Cedar Gateway	\$	7,210,000	
Seventh and Market	\$	-	(exchange for land)

TOTAL PROPOSED **\$ 7,210,000**

REMAINING **\$ 4,533,000**

*Unfunded requests under consideration - 15th and Commercial (Father Joe's Villages) - \$10-15 million

AFFORDABLE HOUSING - FY 2008 PROPOSED PROJECT COMPARISONS

Project Name	Location	Developer	Total Units	Affordable Units	Income Level Restrictions			Affordable Unit Mix					CCDC Subsidy Request	Subsidy per Bedroom	Subsidy per Aff. Unit	Comments
					Very Low Income 50% or less	Low Income 51-80%	Moderate Income 81-120%	Zero Bedroom	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom				

FY 2008 Pipeline Projects Approved to Date

13th & Market Acquisition	East Village	CCDC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$1,584,000	N/A	N/A	To assemble 25,000 sf site
Cortez Hill Family Center	Cortez	City of SD	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$4,128,000	N/A	N/A	Dining room + playground
Homeless Seniors Program	Core	City of SD	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$282,000	N/A	N/A	Rental assistance vouchers
Parkside Apartments	East Village	Wakeland	77	76	13	63	0	28	15	28	5	0	\$13,800,000	\$121,053	\$181,579	6-story apartment building
Smart Corner Buyer Assistance	East Village	Condo Buyers	25	25	0	0	25	25	0	0	0	0	\$1,200,000	\$48,000	\$48,000	Homebuyer program loans
Ten Fifty B	East Village	Affirmed	229	226	126	100	0	68	56	33	69	0	\$33,975,000	\$85,579	\$150,332	23-story apartment building
Total =			331	327	139	163	25	121	71	61	74	0	\$4,969,000			

FY 2008 Recommended Priority Proposed Projects

9th & Broadway	East Village	RFP process	250	250	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	\$22,000,000	TBD	\$88,000	RFP = minimum 250 units
Transitional Housing	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	\$10,000,000	TBD	TBD	Transitional homeless beds
Supportive Housing	TBD	TBD	100	100	100	0	0	TBD	TBD	TBD	TBD	TBD	\$10,000,000	TBD	\$100,000	Rentals with support services	
Hotel Metro Option	East Village	SDHC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$630,000	N/A	N/A	1st trust deed + option	
Cedar Gateway	Cortez	Squier/ROEM	65	65	65	0	0	0	5	35	25	0	\$7,210,000	\$48,067	\$110,923	Includes 23 supportive housing units	
Lillian Place II	East Village	Wakeland	18	18	10	8	0	7	4	4	3	0	\$4,293,000	\$153,321	\$238,500	Expansion of existing project	
Total =			433	433	175	8	0	7	9	39	28	0	\$54,133,000				

Combined Total (Pipeline + Proposed)	Grand Total =	764	760	314	171	25	128	80	100	102	0	\$109,102,000			
---	----------------------	------------	------------	------------	------------	-----------	------------	-----------	------------	------------	----------	----------------------	--	--	--

SUMMARY OF AFFORDABILITY AND UNIT MIX

Income Levels	Affordable	
	Units	%
Very Low Income	314	62%
Low Income	171	34%
Moderate Income	25	5%
Total	510	100%

Unit Mix	Affordable	
	Units	%
Zero Bedroom	128	31%
One Bedroom	80	20%
Two Bedroom	100	24%
Three Bedroom	102	25%
Total	410	100%

9th and Broadway



Site Summary

Location: 9th Avenue and Broadway
(East Village)

Zoning District: Residential Emphasis

Maximum FAR: 10.0 (14.0 with bonuses)

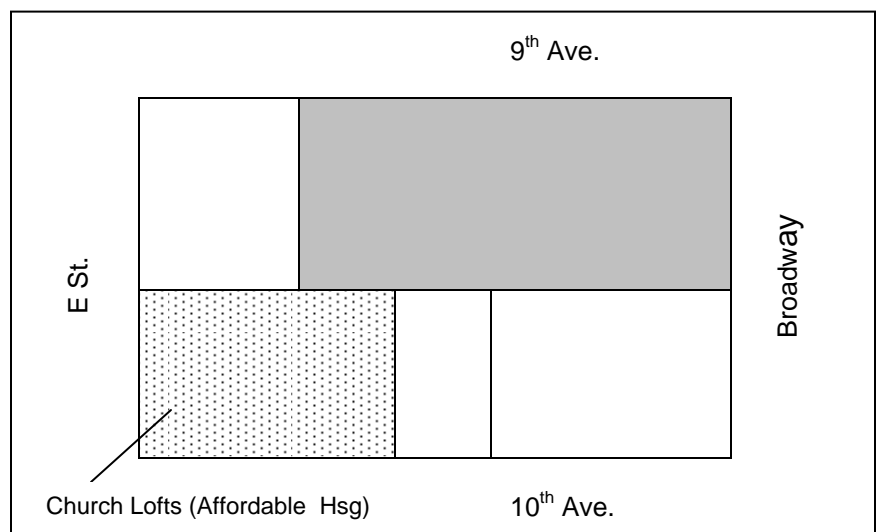
Size: 25,000 sq. ft.

Status

Request for Proposals was issued in August 2007. Proposals are from three short-listed developers, Barone Galasso and Associates, BRIDGE Housing and Chelsea Investment Corporation/Related Companies of California, are being reviewed. A finalist to be selected in January 2008.

Scope of Work (per RFP)

- High-rise tower of Type I construction
- Rental housing for entry level workforce
- A minimum of 250 total units
- A minimum of 140 living units (40% AMI)
- A total of 25 units to be set aside as supportive housing units
- Minimum 75% of the units to be affordable at or below 80% AMI
- LEED Silver certification required
- Include ground floor retail space



Cedar Gateway

Project Summary

Housing Type: Affordable Family Rental
Location: Sixth Ave. and Cedar St. (Cortez)
Lot Size: 23,500 sq. ft.
Total Units: 65
Affordable Units: 65
Income Mix:

Very Low	Low	Mod	Unrestricted
65	0	0	0

Affordable Unit Mix:

0 BD	1 BD	2 BD	3 BD	4 BD
0	5	34	26	0

Development Team

Owner/Developer: Squier Properties & ROEM Corp.

Architect: John Silber

Development Budget

Total Development Costs: \$32,246,000
CCDC Subsidy Requested: \$7,210,000
CCDC Subsidy per Unit: \$111,000
CCDC Subsidy per Bedroom: \$48,000
Funding Sources: 9% Tax Credits, AHP, MHP-SHP, MHSA



Above - Project rendering (Affordable housing)

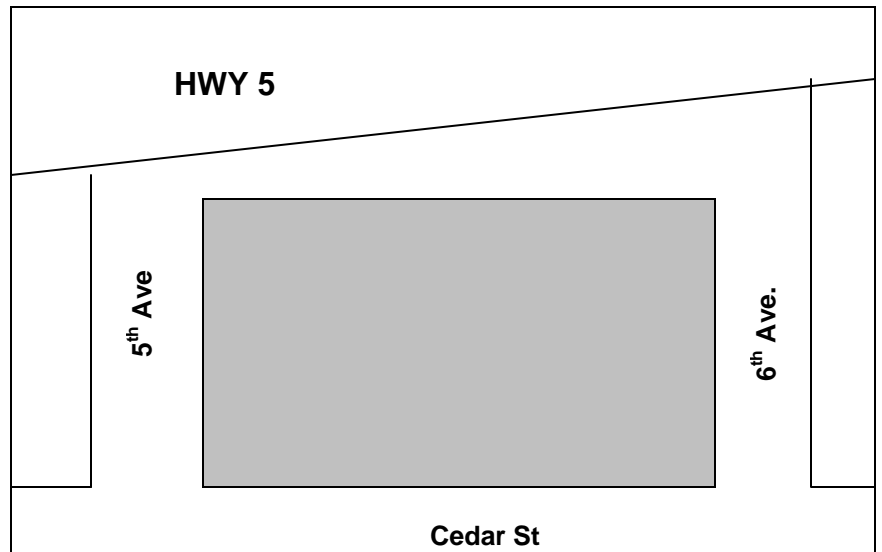
Right - Existing Bradley-Woolman Chapel

Project Description

Squier Properties and ROEM Corporation propose to develop an affordable rental housing project on the site. The development will include 65 housing units, 4,865 square feet of ground floor commercial space and three levels of parking in a 5 to 7 story Type V structure over a concrete podium. The historic structure (Bradley-Woolman Chapel, 3,800 square feet) will be preserved and used as retail or office space.

Notes

- Located north of Broadway
- Includes large units – Family oriented
- Active commercial use required on the ground floor
- Contains historic structure (an early 20th century funeral chapel) along Sixth Ave.





City of San Diego
Redevelopment Agency



Expenditure of
Low and Moderate Income Housing Fund
Transaction Guidelines

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

I. Development Costs

A. Acquisition Costs	Purchase price of property not to exceed independent appraised value, subject to review and approval by Agency		
B. Labor Costs	If Low-Mod Housing Funds are the only source of public funds, do not assume payment of prevailing wages, unless otherwise required by Labor Code Section 1720		
C. Commercial Components	Development costs attributed to commercial components of mixed-use projects should be funded by equity or other non-Low Mod Housing Fund source		
D. Development Costs	Requires evaluation of development costs by Agency third-party consultant for reasonableness		
E. Financing Costs	9% LIHTC: 1%-3% of loan amount 4% LIHTC: 4%-8% of loan amount	1%-3% of loan amount	N/A
F. Project Contingency	Direct costs: 5% - 10% of direct costs / Indirect costs: 3% - 5% of indirect costs		

II. Developer Fee and Developer Profit

A. Developer Fee	Maximum fee permitted by California TCAC that can be included in eligible basis, as follows: 9% LIHTC: lesser of 15% of eligible basis or \$1.4 million 4% LIHTC: lesser of 15% of eligible basis or \$2.5 million	2%-5% of direct costs	(see developer profit)
B. Developer Fee Deferral	Up to 20% of Developer Fee First draw on cash flow Subject to repayment with interest within 10 years from date in service	None	None
C. Target Developer Profit	None	Return on Investment (ROI) @ 1%-3% over industry standard cap rates	10%-15% of total development costs excluding land
D. Minimum Cash Equity	N/A	10% of total costs	10% of total costs
E. Target Leveraged IRR (on developer Equity)	N/A	15%-20%	N/A
F. Target Developer Return on Commercial Component	None	Return on Investment (ROI) @ 1%-3% over industry standard cap rates	Return on Investment (ROI) @ 1%-3% over industry standard cap rates

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

III. Cash Flow Projection

A. Rent Increases	2.5% annually <i>(adjusted to industry standard annually)</i>	N/A
B. Vacancy Rates	Not less than vacancy rate identified in appraisal; or Residential @ Year 1: 10-20%; Year 2+ @ 5.0% Special needs and SRO proposals @ Year 1: 20%; Year 2+: 10%; or Commercial varied by location	Commercial varied by location
C. Property Tax Increases	2% annually (except for tax-exempt organizations) Payment In-Lieu of Taxes (PILOT) fee to be considered on a case-by-case basis	N/A
D. Operating Expenses (per unit/per year)	<u>Minimum - TCAC standard *</u> 50 units or Less: \$3,500 (SRO); \$3,400 (Family); \$3,000 (Senior) 51 to 100 units: \$3,500 (SRO); \$3,200 (Family); \$2,800 (Senior) More than 100 units: \$3,400 (SRO); \$3,000 (Family); \$2,600 (Senior) <u>Maximum - Industry Standard</u> Current database : \$3,200 - \$4,800 <u>Includes Maximum Management Fee: \$35-\$50/unit/month (depends upon nature of fee and size of project)</u> * Reflects high density projects, 2006 TCAC Regulations subject to change Excludes taxes, replacement reserves, services, and monitoring fees	N/A
E. Operating Expense Increases	3.5% annually [excluding taxes and replacement reserves]	N/A

IV. Annual Reserves, Services and Fees

A. Replacement Reserves	Minimum: Rehabilitation at \$300/unit/year New Construction and Senior Housing at \$250/unit/year May vary by lender/investor requirements	N/A
B. Operating Reserves	Evaluated on a case-by-case basis / Primary lender may determine	N/A
C. SDHC Monitoring Fee	Set-up fee @ \$500 Base monitoring fee is \$65 per unit for the first 40 units, \$55 per unit for each additional unit up to 80 units, and \$45 per unit for each additional unit more than 80 units, as illustrated below: 1-40 units/beds @ \$65/unit 41-80 units/beds @ \$55/unit 81+ units/beds @ \$45/unit <i>(Subject to annual increase based on CPI)</i>	Determined on a project-by-project basis.
D. Service Amenities Annual Budget	Evaluated on a case-by-case basis.	N/A
E. Limited Partner Asset Management Fee	Paid during years 1-15 from project cash flow after debt service prior to payment of a deferred developer fee or distribution of residual receipts. Potential range at Year 1: \$2,500 - \$5,000	N/A
F. General Partner Asset Management Fee	Paid during years 1-55 from project cash flow after debt service and payment of deferred developer fee before distribution of residual receipts. Potential range at Year 1: \$10,000 - \$12,500 <i>(Limited Partner and General Partner Asset Management Fees combined not to exceed \$17,500 in Year 1)</i>	N/A

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

V. Supportable Debt (Permanent Loan)

A. Debt Service Coverage Ratio	<u>Minimum:</u> 4% LIHTC: 1.10 - 1.20 9% LIHTC: 1.10 - 1.20 <u>Maximum:</u> Industry Standard	<u>Minimum:</u> 1.10 <u>Maximum:</u> Industry Standard	N/A
B. Loan Term	30-40 years (shorter loan terms may apply subject to constraints imposed by State and Federal financing sources)		N/A
C. Interest Rate	4% LIHTC: 100-300 basis points below conventional industry lending rates 9% LIHTC: Conventional industry lending rates	Conventional Industry Lending Rates	N/A
D. Other Outside Funding Sources	Requirements to pursue other funding sources evaluated on a case-by-case basis.		

VI. Agency Loan Terms

A. Method of Agency Assistance	Land Acquisition / Construction Loan / Permanent Loan / Public Improvements	Land Acquisition / Construction Loan / Public Improvements / Homebuyer Assistance
B. Interest Rate	Applicable Federal Rate depending on source of funds. If not applicable, then: <u>3.0% simple interest</u> when developer has ability to repay Agency Loan or 0% if proposed use/operation has no income source for repayment - homeless/special needs developments	Terms defined on a case-by-case basis.
C. Disbursement of Funds	To be determined on a case-by-case basis. Consider timing of developer fee disbursement as well as total contribution to the project. Common recommendation: Funds for property acquisition will be disbursed at closing, prior to construction. After land acquisition, a 50-50 distribution pari passu with construction lender and 10% withheld until project is completed (Certificate of Occupancy)	
D. Term of Loan	55 years	Case-by-case base
E. Repayment of Loan	Determined on a project-by-project basis. Usual recommendation: Years 1-40: Agency/Developer 50/50 split of residual receipts Years 41-55: Agency/Developer 80/20 split of residual receipts Balance due at Year 56 Agency portion of residual receipts may be shared with other public agencies in proportion to the respective loan amounts committed by each public agency.	Determined on a project-by-project basis. <i>Usual recommendation for land acquisition, public improvements and construction loans: Loan repaid upon sale of each unit.</i> <i>Homebuyer Assistance Loans: No repayment as long as restrictions remain in effect. Repayment required if homeowner in default of affordability covenant. Agency right to cure in case of default depends upon financing position.</i>
F. Refinance Proceeds	Agency/Developer 50/50 split of net refinancing proceeds (<i>net refinancing proceeds = proceeds after repayment of outstanding debt, refinancing costs, any funds reinvested in project, and takeout of other third-part funding sources, subject to Agency approval</i>)	N/A
G. Draw Request	Provided on a monthly basis or as needed.	
H. Performance Bonds	Performance bonds may be suggested.	Performance bonds may be required.
I. Reporting	Developer to provide Agency with copies of construction inspection reports.	

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

VII. Affordable Housing Provisions

A. Term of Restrictions	Deed restriction for not less than 55 years; or Development reverts to Agency at end of a ground lease not less than 55 years, subject to the provisions of CRL	Unit shall remain restricted for a period of not less than 45 years from the date of initial escrow closing, subject to provisions of CRL
B. Occupancy Requirements	N/A	Residence must remain owner-occupied for the term of the Agency Restriction. No primary residence owned in past three years and no other real estate owned.
C. Land Disposition (in cases where the Agency owns land)	Fee conveyance or ground lease, to be determined on a case-by-case basis.	
D. Eligible Households	Households at or below 120% AMI - determined on a case-by-case basis. Very-low and Low-Income figures based on HUD figures for San Diego County, Moderate Income figures based on figures from State of California Department of Housing and Community Development (HCD) for San Diego County.	
E. Calculation of Rents/Sales Prices	Based upon applicable law and most restrictive of revenue source requirements.	

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

VIII. Evaluation of Development Team

A. Experience	Development experience in providing affordable housing for low- and moderate-income households of comparable size, scale, and complexity. This will include the physical and financial size and scope of comparable projects.
B. Funding Ability	Demonstrated ability to provide project funding (debt and equity), including current relationship with major lenders, various financial institutions and past funding experiences.
C. Community / Design	Demonstrated ability to determine community concerns and desires before design of a project and/or in project design and implementation.
D. Community / Use	Demonstrated ability to determine community concerns and desires regarding the proposed residential use of a project, specifically, how the development team has handled adverse community responses to proposed affordable housing projects.
E. Marketing Strategy	Effective strategy for marketing (selling or leasing) the proposed units.
F. Collaboration	Effective strategy for collaboration with local non-profit organizations for the provision of tenant support services, when appropriate.
G. Completion of Projects	Demonstrated ability to complete affordable housing projects on time and on budget.
H. Qualifications	Qualifications of the development team and the key individuals proposed for involvement in the development.
I. Neighborhood Improvement	Demonstrated experience in neighborhood improvement and elimination of blight conditions through new construction and/or rehabilitation.
J. Public Sector Experience	Experience in working with the public sector in public/private real estate development projects.

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

IX. Evaluation of Planning and Urban Form Elements

A. General Design	Project maximizes project density, including the utilization of incentives/bonuses/etc., where feasible.
	Project concept meets or exceeds all development requirements specified for the Site within the Community Plan and/or PDO.
	Project incorporates sustainable development principles. For example, the use of eco-roofs on Type I, II and III construction projects or LEED certification, where feasible.
	Project incorporates Crime Prevention through Environmental Design (“CPTED”) principles.
	Project demonstrates superior architectural, landscaping and urban design.
	Project incorporates Universal Design components into the project and complies with the Agency’s Universal Design Checklist.
B. Parking	In addition to providing the number of parking spaces required for the project by ordinance, special consideration should be given to security issues and safety elements for parking, including, but not limited to, pedestrian entrance and exits, lighting, open stairwells with clear visibility on each floor landing, and other design elements to ensure the tenant’s/public’s safety and well-being.
C. Residential	Residential amenities, including but not limited to, common outdoor open space, common indoor space, private outdoor space (balconies, patios, etc.) should be incorporated into project concepts.
	Innovative project designs, construction types/methods that result in reduced construction costs and/or owner association fees (when applicable) are encouraged.
D. Commercial	Commercial spaces should be flexibly-designed to accommodate larger or sub-dividable uses/tenants.
	Commercial spaces should accommodate retailers and services that serve the essential needs of residents living in the project and surrounding neighborhoods.
	Ground-floor uses should provide a link to social services where appropriate.

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.

Rental		For-Sale
with Low Income Housing Tax Credits	without Low Income Housing Tax Credits	

X. Additional Considerations

A. Priority - Notice	Case-by-case consideration should be given to the priority of each tax credit project in relation to timing and competitiveness of each 9% LIHTC round. At least six months advance notice for projects intending to submit tax credit applications is requested.
B. # of Projects	The number of projects a developer has and the status of those projects (performance before multiple subsidies).
C. # of Subsidies	The number of times subsidies are provided to the same developer.
D. Monitoring	Developer agrees to enter into an Agreement with the Agency and the San Diego Housing Commission to monitor the long-term affordability restrictions of the project.
E. Site Control	The extent to which the developer has site control or is seeking Agency assistance with property acquisition.
F. Questions to Consider	Does the project "fit in" with the current community needs (snapshot), as well as those that may develop in the future (big picture)?
	Will the project serve as a catalyst for other development(s) in the project area?
	Is there marketability for non-residential uses?
	Is there a concentration of affordable housing in the surrounding community and/or a lack of other supporting development?
	Have comments from the City Planning, Urban Form, Economic Development Divisions, Development Services, been received and considered?
	Is there a balance between the cost of the project and the benefit to the community?
	What is the extent to which the developer is making infrastructure improvements to benefit the development and/or surrounding community
Due diligence checklist complete	

Affordable Housing developments will be evaluated on a case-by-case basis. The transaction guidelines based upon State and Federal programs will automatically update as changes occur.