Other Funding Sources for Affordable Housing

Affordable housing requires many different types and levels of financing to make it work. With tax increment funding no longer available due to redevelopment dissolution, the City in conjunction with the San Diego Housing Commission and Civic San Diego have been working to leverage existing available funding sources and identify potential other options.

The table below includes examples of stacked/gap funding sources that are currently available to support affordable housing.

Funding Source	Description
Inclusionary Housing In-lieu Fees	Developers are required to provide a minimum percent of affordable units within new residential projects of 10 units or more, pursuant to the State Density Bonus Law. In exchange for providing the inclusionary affordable units, the Developer is granted an automatic increase in density which allows for the construction of a greater number of market rate units to help subsidize the cost of the rent restricted units. The City of San Diego provides a 35% density bonus to developers that agree to provide the inclusionary requirement. However, developers often pay the in-lieu fee which is deposited to the Housing Trust Fund with the San Diego Housing Commission for the purpose of providing gap funding for new affordable housing production. The amount collected each year is dependent upon the real estate market and new residential construction.
Low-Income Housing Tax Credits (LIHTC)	The LIHTC Program provides the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Four-percent tax credits are not competitive but only provide roughly 30% of a typical project's necessary capital. Nine-percent tax credits can provide up to roughly 65% of a typical project's necessary capital but they are highly competitive and usually require a combination of very low rents and a local subsidy to win the tie-breaker score.
State Prop 1C Grant Funds	Prop1C is the affordable housing bond component of the Strategic Growth Plan. Prop 1C invests $2.85 billion for housing and infrastructure programs to produce an estimated 118,000 housing units, 2,350 homeless shelter spaces, and infrastructure projects that help infill housing development such as water, sewer, parks, and transportation improvements. *Note: Prop 1C funds are nearly depleted.*
Mental Health Services Act (MHSA) Housing Program	The California Department of Mental Health, California Housing Finance Agency and the County Mental Health Directors Association have implemented the MHSA Housing Program which provides funding for development, acquisition, construction and/or rehabilitation of permanent supportive housing for individuals and their families who have a mental illness and are homeless, or at risk of homelessness. These funds are available on a very limited basis from the County and the annual amount available is dependent upon the amount of revenue collected each year from individuals earning in excess of $1 million.
Federal Home Loan Bank Affordable Housing Program (AHP)	The AHP is a flexible source of gap funding for projects that create an affordable place to call home for low-income and moderate-income families and individuals. The Federal Home Loan Bank of San Francisco awarded $56.6 million in grants ranging from $15,000 to $1.5 million per project, which support a wide range of targeted projects, including: • New construction of rental housing for low-income families, seniors, the formerly homeless, or individuals and households with special needs • Building of Habitat for Humanity homes • Permanent supportive housing with services for veterans, young people aging out of the foster care system, or the developmentally disabled • This program is highly competitive and typically requires extremely low rents and local subsidies to win an allocation.

Funding Source	Description
Federal Section 8 Housing Choice Voucher Program	The Housing Choice Voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to choose their own housing that meets the requirements of the program. Housing choice vouchers are administered locally by public housing agencies which receive federal funds from the U.S. Department of Housing and Urban Development (HUD). The Housing Commission administers this program in San Diego. Section 8 vouchers can be allocated to new affordable housing developments with deeply discounted rents to improve the project's annual net operating revenue, allowing it to qualify for a greater amount of conventional debt.
Veterans Administration Supportive Housing (VASH)	The VASH is a joint HUD-Veterans Administration (VA) program to move veterans and their families out of homelessness and into permanent housing. HUD provides housing assistance through its Section 8 Choice Voucher Program (see above) that allows homeless veterans to rent privately-owned housing. VA offers eligible homeless veterans clinical and supportive services through its health care system.
Community Development Financial Institutions (CDFI) Fund	The CDFI Fund, administered by the U.S. Treasury Department, promotes economic revitalization in low-income communities, including developing affordable housing and promoting homeownership. The Financial Assistance component of the Fund awards up to $2 million to certified CDFIs which may be used to finance capital, loan loss reserves, capital reserves, or operations. These awards are made in the form of equity investments, loans, deposits, or grants, and the CDFI is required to match its award dollar-for-dollar with non-federal funds, which enables CDFIs to leverage private capital to meet the demand for affordable financial products and services in economically distressed communities.
Community Development Block Grant (CDBG) Program	HUD administers the CDBG program to ensure decent affordable housing, provide services to the most vulnerable in communities, and create jobs through the expansion and retention of businesses. HUD determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.
HOME Investment Partnership Program	The HOME Program, also administered by HUD, provides grants to states and local government to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low and very low-income Americans. HOME funds may be used for tenant-based rental assistance; housing rehabilitation; assistance to homebuyers; and new construction of housing. HOME funding may also be used for site acquisition, site improvements, demolition, relocation, and other necessary and reasonable activities related to the development of non-luxury housing.