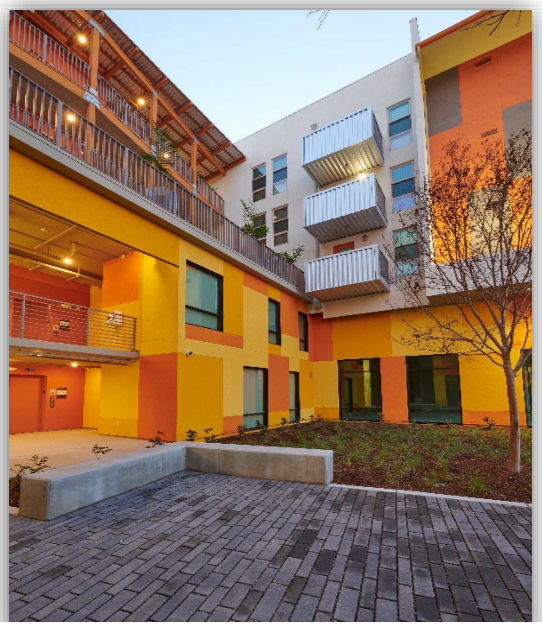
The City *of* SAN DIEGO

civic san diego

Affordable Housing Master Plan

Low and Moderate Income Housing Asset Fund 2023 Update and Progress Report



Original Plan Adopted by City Council,
Resolution No. R-308142, dated May 30, 2013
October 2015 Update Approved and Adopted by City Council,
Resolution No. R-310183, dated January 28, 2016
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I. EXECUTIVE SUMMARY

With the passage of Assembly Bill (AB) x1 26, and related bills and actions, the State of California dissolved its redevelopment agencies, effective February 1, 2012 ("Dissolution").

In 2013, Civic San Diego ("Civic"), on behalf of the City of San Diego ("City"), in its capacity as the designated housing successor ("Housing Successor") developed the original Affordable Housing Master Plan ("AHMP" or "Master Plan") to provide a framework for the City's post Dissolution prioritization and leveraging of the transferred housing assets (Housing Asset Transfer) from the former Redevelopment Agency of the City of San Diego ("former RDA"). The AHMP Is not mandated by Dissolution.

The original Master Plan was adopted by the San Diego City Council ("City Council") on May 14, 2013. The first update to the Master Plan was approved by the City Council on January 28, 2016, and a second update was approved by the City Council on September 27, 2018.

This 2023 Update and Progress Report ("2023 Update") provides an update and progress report, with a focus on the accomplishments and planned activities of the City, specifically the status of disposition of the real property housing assets, implementation of additional projects and activities, development of additional units, leveraging of other affordable housing resources, tracking and management of loans and covenants, and updated cash flow projections for the use of the housing bond proceeds and Low and Moderate Income Housing Asset Fund ("LMIHAF") dollars through FY 2028.

Pursuant to the 2013 Housing Asset Transfer, the City received the following assets from the former RDA. The City's use, disposition, and plans for these assets are discussed in detail in the balance of this 2023 Update.

At the time of Dissolution, the Housing Asset Transfer included:

- 22 real properties, of which
    - Nine (9) properties were transferred with completed affordable housing developments and/or affordability restrictions
        - All nine properties continue to provide rent and income restricted units to the San Diego community.
        - In addition, from these nine properties, through various means such as the exercise of developer's options, refinancing transactions, and sale of City real property interests, **the City was able to generate significant revenue to the LMIHAF**,
    - The 13 other properties were undeveloped and/or did not have affordability restrictions in place, and provided future opportunities for affordable housing,
        - Nine of these 13 properties have been developed, sold/transferred, or are under contract for affordable housing development, including a portion of the 13th/Market site for the Alpha Square project.
        - Five (5) remain to be developed (including the balance of the 13th/Market site). These sites are in various stages of negotiation or preparation to be released for proposals subject to Surplus Land Act provisions set by AB 1486, and redevelopment dissolution law.

Unencumbered Housing Bond Proceeds in the approximate amount of $34M, which will be fully expended, including accrued interest, by late 2023.

- Encumbered low- and moderate-income housing funds for approved enforceable obligations.
- Notes, loans, development agreements, covenants, and other assets.

Within the framework of the Master Plan, the City completed five projects (Estrella del Mercado, Mission Apartments, Mason Hotel, VVSD Phase IV, and Kalos Apartments) that were under construction at the time of Dissolution, and strategically entered into contracts/partnerships for five additional projects (Hotel Churchill, New Palace Hotel, Trolley Park Terrace, Keeler Court Apartments, and Kettner Crossing) further leveraging the City's resources. Combined, these specific affordable housing activities resulted in the completion of 276 units, with 272 affordable, including 158 permanent supportive units, with the Kettner Crossing project anticipated to be completed by early 2025 adding another 253 units, with 63 affordable, with 5 permanent supportive units.

Leveraging Additional Affordable Housing Funds

The City issued four Notices of Funding Availability ("NOFAs") to facilitate the development of affordable housing on non-City owned sites and efficiently deploy City financial assistance. The NOFA's provide gap financing to qualified developers to make affordable housing projects a reality to create homes for families and individuals who cannot otherwise afford market-rate housing, including many with special needs and/or at risk or currently experiencing homelessness. Beginning with the second NOFA (2021), the City NOFA program was marketed as the "Bridge to Home" Program.

Through the first three (2017, 2021, and 2022) NOFAs, over $77M of City administered funding has been made available to support production of affordable housing, including over $49M of LMIHAF dollars, leveraged with approximately $17.6M in Community Development Block Grant ("CDBG") funds, and approximately $11M in Permanent Local Housing Allocation ("PHLA") funds generated by SB2. The 2017 NOFA resulted in the completion of 332 total units, with 326 affordable, including 269 permanent supportive units. The 2021 and 2022 Bridge to Home NOFAs have resulted in the approval of funding towards 949 units, with 937 affordable, including 272 permanent supportive units. These projects are in various stages of development.

The fourth NOFA, otherwise known as the Round Three Bridge to Home NOFA was issued on August 4, 2023, will make available approximately $20M, comprised of Low and Moderate Income Housing Asset Funds (LMIHAF), Permanent Local Allocation Funds (PLHA), HOME Investment Partnership Program (HOME), and Community Development Block Grant (CDBG) funds, with applications due October 6, 2023.

Affordable Housing Portfolio Management

Together, Civic and City staff, acting in accordance with the 2019 Operating Agreement between Civic and the City manage and administer over 100 Affordable Housing Agreements (OPAs, DDAs, Other, etc.), 11 long term ground leases for affordable housing projects, approximately 67 outstanding project loans, approximately 240 active homeowner direct support loans (first time homebuyer, rehabilitation assistance loans) to individuals/households, and affordability covenants placing rent and income restrictions on over 7,600 affordable units.

Table 1: Affordable Housing Portfolio Management

Affordable Housing Portfolio Management		
Affordable Housing Agreements	100+	Affordable housing development agreements including OPAs, DDAs, Other
Ground Leases	11	City leases sites on long-term basis for affordable housing developments
Outstanding Project Loans	67	Loans to developers providing gap financing assistance to facilitate development of affordable housing units
Direct Support Loans	240	Loans to homeowners for first-time homebuyer, or rehabilitation assistance
Affordability Covenants	100 (restrict over 7,600 units)	Restrictions requiring units to be rented to low-and-moderate income households at affordable rents

Since dissolution in 2012, by leveraging resources and utilizing effective partnerships, Civic and City staff have facilitated the investment of $165,956,454 in City funding into the completion of 2,987 total housing units, including 2,615 affordable units, with 867 permanent supportive units, and 194 transitional housing beds for persons experiencing or at risk of homelessness. Development projects currently under contract facilitated by Civic on behalf of the Housing Successor and Successor Agency will produce 3,322 total units including 1,540 affordable units, with 483 permanent supportive units. **To achieve these results, the City, as Housing Successor, has expended and/or encumbered over $233.3M total City funds**, in support of the development of affordable housing, including funds committed prior to adoption of the Master Plan.

Overall, City housing production activities since dissolution are summarized in the table below:

Table 2: Housing Production since 2012

Affordable Housing Production*	Total Units	Affordable Units	Permanent Supportive Units	Transitional Beds	Housing Entity's Investment[1]
Completed	2,987	2,615	867	194	$ 165,956,454
Under Construction/Contract	3,322	1,540	483	0	$ 67,358,755
Totals	6,309	**4,155**	**1,350**	**194**	**$ 233,315,209**

Details of the City's Affordable Housing production since dissolution can be found in Attachment C – Affordable Housing Production.

[1] Excludes any write down of land value

In addition to units under contract and/or under construction, the City anticipates the continued **implementation of this Master Plan will result in the creation of approximately 1,500 additional affordable housing units**, through the development and/or sale of the remaining real property assets, and the deployment of LMIHAF dollars as gap financing assistance through one or more NOFAs, while continuing to seek and explore opportunities to generate additional revenues and opportunities to advance affordable housing, with the total number of units ultimately developed dependent upon the specific projects, actual availability of funds, and a number of other economic factors.

II. BACKGROUND

As a result of Dissolution, San Diego, like most jurisdictions throughout the state, lost access to property tax revenues (redevelopment/low and moderate income tax increment funding) which represented its largest dedicated funding source for the development of affordable housing.

Despite the loss of redevelopment tax increment funding to support the development of affordable housing, the City recognized that the need to develop and preserve safe and affordable housing within the City of San Diego was, and would continue to be, a critical need within the community. The City elected to serve as the housing successor to the former Redevelopment Agency of the City of San Diego, and as such retained the housing assets, obligations, and functions of the former RDA. The transfer of housing assets and functions between the former RDA and the City was approved by the State Department of Finance (DOF) on January 4, 2013, and completed on January 28, 2013.

On June 27, 2012, AB 1484 was signed into law, which made substantial changes to the redevelopment agency dissolution process implemented by AB 1X 26. Among other changes, AB 1484 required all successor agencies to prepare a Long-Range Property Management Plan ("LRPMP") to govern the disposition and use of all former “non-housing” redevelopment properties. However, AB 1484 did not require a similar plan for the use and/or disposition of the real property “housing” assets.

With the loss of the recurring 20% Low- and Moderate-Income Housing Set-aside funds, and a limited and finite set of resources available for affordable housing, the City recognized the critical importance of effectively and efficiently utilizing the transferred housing assets to continue its efforts to address San Diego’s affordable housing crisis. As a result, Civic, on behalf of the City of San Diego in its capacity as the designated housing successor, developed the original Affordable Housing Master Plan as a key tool to manage and administer the transferred affordable housing assets. The Master Plan provides guiding principles and strategies for the use of the transferred housing assets, outlines proposed uses for the real property assets, tracks and projects expenditures of low- and moderate-income housing funds and housing bond proceeds and recognizes the functions and obligations of the housing successor to preserve, monitor, implement and enforce its affordable housing activities.
The Housing Assets transferred to the City included the following:

- **Interests in real property held for affordable housing** – 22 real properties (18 in downtown and four in southeastern San Diego), acquired by the former RDA for affordable housing were transferred from the Successor Agency to the City.

Of these properties:

- Nine were transferred with completed or pending affordable housing developments, with recorded affordability covenants and long-term ground leases.
- The remaining 13 properties were transferred as undeveloped and/or did not have affordability restrictions in place.
    - All but five have since been developed or are under contract

Further details regarding the real properties transferred to the City are provided in the Accomplishments and Planned Activities Section below.

- **Unencumbered Low- and Moderate-Income Housing Bond Proceeds** –Excess bond proceeds issued by the former RDA prior to 2011 for affordable housing not presently committed under an enforceable obligation and controlled by the Housing Successor for the purpose of affordable housing. At the time of dissolution approximately $34 million of unencumbered Low- and Moderate- Income Housing bond proceeds were transferred to the City, all of which has been expended on or committed to projects. Prior to the end of FY 2024, all housing bond proceeds and accrued interest will have been expended.

- **Encumbered Low/Mod Funds for approved enforceable obligations** – While the Successor Agency was required to transmit unencumbered Low- and Moderate-Income Housing funds to the State, it was permitted to retain encumbered low/mod funds which were required to meet specific enforceable obligations as identified in the Recognized Obligation Payment Schedule ("ROPS") approved by the DOF. As of this update all ROPS funded "enforceable obligations" for affordable housing have been completed.

- **Notes receivable, first-time homebuyer loans, OPAs and DDAs –** The former RDA entered into OPAs and DDAs with private developers and provided forgivable or deferred loans, often requiring only residual receipt payments to subsidize acquisition and development of affordable housing projects. The former RDA also provided a variety of homebuyer assistance loans to Low- and Moderate-Income owner occupants to purchase homes and loans to owner occupants to rehabilitate homes. The rights and obligations associated with these agreements and loans were transferred to the Housing Successor.

  Over 100 Affordable Housing Agreements (OPAs, DDAs, Other, etc.) associated with projects generally located throughout the City's redevelopment project areas, continue to be administered and managed by the Housing Successor, see Attachments D, E and F.

  In 2013, notes receivable loans for 58 affordable housing projects were transferred to the Housing Successor. Since 2013, 14 additional loans have been made utilizing the LMIHAF, and are discussed in more detail below in Section IV Accomplishments. As of fiscal year ending June 30, 2022, there are 67 outstanding affordable housing project loans containing over 5,960 affordable units, totaling over $315.9 million. These loans continue to require the City's involvement to review annual project audits, residual receipts and loan payment calculations, borrowers' organizational changes and refinancing transactions, and other typical loan servicing activities. The outstanding rental project loans are listed in Attachment D - Affordable Housing Loans.

In addition, there were assets transferred in 2013 from four owner-occupant loan programs that provided direct support to homeowners (first time homebuyer, rehabilitation assistance loans). Approximately 240 of these homeowner loans remain to be serviced by the City for any homeowner transaction for refinancing or resale to new low to moderate owners, loan payoffs and documentation for completion of the loan forgiveness periods.

- **Ground Leases recorded on properties containing affordable housing** – The former RDA entered into long-term ground leases with affordable housing developers to allow development and operation of affordable housing projects on its properties. The ground lease has been a common structure on a number of affordable housing projects. In most cases, the lease terms were at least 55 years with very minimal ground lease payments required while the affordability covenants are in effect, assisting with the financial feasibility of project considering the reduced rental incomes. 10 of the 22 former RDA properties were transferred to the City with long term ground leases. Since Dissolution, the City sold the Heritage Apartments and the Market Street Square sites to the lessees and deposited the sales proceeds to the LMIHAF. The City has entered into three new, long-term ground leases for newly constructed affordable housing units at Alpha Square, Atmosphere, and Ouchi Courtyards. There are currently 11 City housing asset sites with active long-term ground leases (Attachment F- Long Term Ground Leases). Civic and City staff monitor and administer the ground leases on behalf of the City.

- **Recorded covenants in favor of the Former RDA restricting properties for affordable housing** – The former RDA recorded long-term affordability covenants on properties for which it provided financial assistance to ensure that properties remain affordable for a specified period of time. There were four single family for-sale projects with covenants on 77 total single-family homes that were transferred to the City: Casitas de Las Florecitas, La Boheme, Renaissance at North Park, and Southcrest Park Estates II. These projects provided single-family for-sale homes for low to moderate income homebuyers that remain owner occupants, and the 45-year covenants restrict any resale of the homes exclusively to low-to-moderate-income owner-occupants.

  Additionally, there were 78 rental projects with affordability covenants on over 6,640 affordable units that were transferred to the Housing Successor. Currently, the Housing Successor manages and administers affordability covenants with rent and income restrictions on over 7,600 affordable rental units (Attachment E Affordability Covenants). Projects under contract, but not completed, and covenants not yet recorded will add approximately 853 new affordable units with restrictive covenants.

The Master Plan was prepared as a guiding instrument and key City tool to implement best practices and leverage limited resources, while optimizing unit production for targeted populations. The Master Plan and this update outline creative strategies for the use of the remaining housing asset real properties and funds in the LMIHAF.

III. PRINCIPLES AND STRATEGIES

Civic San Diego, on behalf of the Housing Successor, prepared the Master Plan to provide a framework and to serve as a guiding instrument to implement best practices and leverage limited resources, for the effective and efficient use of the housing assets, while optimizing unit production for targeted populations.

The Master Plan is intended to provide flexibility in implementation to adjust priorities as necessary to take advantage of opportunities and adjust to changing conditions to achieve goals and objectives for the benefit of the City in its capacity as the Housing Successor to the former RDA. As such, the Housing Successor reserves all rights to modify provisions contained in the Master Plan should it be in its best interests to do so, with the City Council having final discretion over Housing Successor activities.

Guiding Principles

The following guiding principles were developed to provide direction and focus for the Master Plan's strategies:

1. Maximize quality unit production with limited resources

   In the absence of redevelopment, which provided a minimum of 20 percent of tax increment funds for affordable housing purposes, the Housing Assets that the City retains are very limited one-time resources, and have limited future revenue streams with which to produce new affordable housing units. The Master Plan strives to maximize the number of new quality units that can be produced with the remaining Housing Assets by leveraging the City funds with other funding sources, negotiating with private parties to maximize the production of affordable units within developments on the City-owned properties, and using competitive processes to select development partners and proposals for funding.

2. Homelessness housing

   Production of housing for currently unhoused persons is a key priority for the City and Civic and the most challenging to finance. The Master Plan strives to allocate funding for production of housing units targeted for persons experiencing homelessness and those at risk of homelessness, as well as utilizing the City-owned properties for development of housing units targeted for these populations. The Master Plan contemplates that developers be required to include a minimum number of permanent supportive housing units within proposed affordable housing developments subsidized by the LMIHAF.

3. Maximize leverage with other funding sources

   The Master Plan strives to maximize the results of the LMIHAF by leveraging it with other private and public financing sources available for affordable housing developments. Developers are strongly encouraged to seek out all available funding sources to reduce the City's investment. Examples of such funding sources include Low Income Housing Tax Credit (LIHTC) programs, state Housing and Community Development (HCD) funding programs such as its Super NOFA covering four state funding programs, the 4% state tax credit program which became competitive in 2021, the state's Affordable Housing and Sustainable Communities program (AHSC) and its

HomeKey program, as well as the Mental Health Services Act (MHSA) program and the Affordable Housing Program (AHP). In addition, there is the potential availability of Project-Based Section 8 vouchers administered by the San Diego Housing Commission (SDHC), the Veterans Assistance Supportive Housing (VASH) vouchers, County of San Diego housing programs, and other local public and private funding opportunities for collaboration on key affordable housing projects.

4. Development of affordable housing on real properties retained by the City

The Master Plan strives to produce affordable housing on properties retained by the City in an effort to negate land acquisition costs. However, some of the properties are located in downtown and are prime, high-value real estate that could generate substantial sales proceeds to the LMIHAF for future affordable housing projects. These high-value sites are zoned for some of the highest density permitted in the City for mixed-use development.

5. Geographic diversity

To comply with the Guiding Principles of the Plan, Civic and the City strive to ensure the creation of affordable housing units funded by the LMIHAF in a wide variety of neighborhoods within the City. The City-owned properties currently subject to the Plan are concentrated in downtown and Southeastern San Diego. These neighborhoods provide strong access to transit and service. In order to advance equitable opportunities for all San Diegans, funds should be made available city-wide for competitive allocation to projects proposed in neighborhoods outside of downtown and Southeastern San Diego/Encanto.

6. Transit-Oriented-Developments (TODs)

The Master Plan seeks to invest in affordable housing developments that are near public transit sites to reduce reliance on automobiles, minimize greenhouse gas emissions, and contribute to creating walkable communities in urban City neighborhoods. Therefore, projects located within walking distance of multimodal transit stops or within Transit Priority Areas which provide bus or trolley lines with direct routes to employment centers, should be prioritized for funding in future NOFA(s).

7. Catalyst for neighborhood investment

The Former RDA funded affordable housing developments to not only create affordable housing opportunities for low- and moderate-income residents, but also to revitalize neighborhoods by removing blight and strategically selecting project sites in areas where neighborhood investments were in greater need. In addition, projects were carefully programmed and designed to activate the streets and catalyze revitalization of the surrounding areas. This Master Plan will continue to strive to achieve the goal of revitalizing neighborhoods by investing the LMIHAF funds strategically and creatively in affordable housing projects as well as negotiating inclusion of public amenities in mixed- use, mixed-income projects to be developed on the City-owned properties. In future NOFA(s), projects will be selected with consideration for their catalyst potential, provision of community benefits, investment in neighborhood amenities, positive economic development impacts, progress on the City's Strategic Plan goals, the 2023-2026 Economic Development Strategy, and advancement of these guiding principles. The developers will also be encouraged to design and program projects to activate the streets and contribute to revitalizing the surrounding neighborhoods.

8. Sustainability

Historically, affordable housing projects seeking redevelopment funding were required to be designed to achieve the minimum of LEED Silver or equivalent. A number of downtown affordable housing projects have since been certified as LEED Silver, Gold or Platinum, or have been GreenPoint rated, utilizing recycled materials for construction, installing energy-efficient appliances and water-saving fixtures, collecting rainwater for irrigation, and generating their own electricity with onsite renewable energy infrastructure. These efforts have contributed to reducing energy demand and saving utility costs for the operator and residents. The LMIHAF will continue to target its investment in projects that achieve a minimum of LEED Silver certification, a GreenPoint rating, or equivalent and assist in furthering the City's goals for Climate Action as well as ensuring future residents are not burdened with excessive additional housing related costs.

9. Allow for flexibility

The Master Plan is based on various assumptions that reflect funding sources, priorities and costs known at the time of its preparation. Flexibility will be encouraged during implementation of the Master Plan to accommodate new challenges and opportunities that may arise, such as new funding sources, properties that may become available, changes in priorities, and/or impacts of new legislation. For example, Senate Bill 341 (SB 341), discussed later in this document, was enacted on October 13, 2013, imposing additional restrictions on the use of funds and implementing new reporting requirements, among other changes, requirements, and more recently the State Legislature's 2019 revisions to the Surplus Land Act which, while prioritizing affordable housing production on surplus lands, established new processes and procedures, adding complexity and potentially reducing anticipated land sale proceeds.

10. Competitively bid to select development partners

To optimize the use of limited resources, encourage transparency and competition, and to ensure quality development, the selection of development partners and/or development proposals will be made through competitive processes, such as Request for Qualifications (RFQ), Request for Proposals (RFP) and NOFA, except in rare cases where site control is demonstrated and owner participation is necessary.

11. Use conservative assumptions

The Master Plan is based on conservative assumptions and projections. Best efforts were made not to overestimate the availability of funds or underestimate the costs or required investment in new developments.

12. Child Care Facilities

Although the City's LMIHAF can only be used for eligible affordable housing purposes, the City also attempts to accomplish other City goals through the production of affordable housing. The City believes quality childcare facilities are an important asset to a community, enabling low- and moderate-income families to build their way towards financial stability and future success for their children and families. Recognizing this in the recently adopted Economic Development Strategy as a core objective, the City has prioritized the production of, and opportunity for, childcare facilities to be located within affordable housing developments that serve onsite tenants' children, especially ages 0 to 5 years, as well as serve children from the surrounding community.

13. Statutory Compliance

In addition to other legislation, Senate Bill 341 (SB 341), enacted on October 13, 2013, requires that all funds remaining in the LMIHAF, after expenditures allowed for administrative costs and homeless prevention and rapid re-housing services, be used for the development of housing affordable to, and occupied by, households earning 80 percent or less of area median income (AMI). More specifically, SB 341 requires that over a five-year period:

- At least 30 percent of the funds be spent on housing affordable to and occupied by households earning 30 percent or less of AMI; and
- Not more than 20 percent of the funds be spent on housing affordable to and occupied by households earning between 60 percent and 80 percent of AMI.

SB 341 also imposes a limitation on funding for senior rental housing and requires that at least 50 percent of all affordable units assisted individually or jointly by the Housing Successor, the Former RDA, and the City over a 10-year period are available to all persons, regardless of age.

SB 341 also implemented new reporting requirements: 1) An independent financial audit of the LMIHAF within six months after the end of the fiscal year, and; 2) An annual report, due the Department of Housing and Community Development by April 1 for the previous fiscal year, covering various aspects of the operations of the LMIHAF. The recent SB 341 Report for FY 2022 is attached as Attachment H.

In 2019, the State approved changes to the Surplus Land Act ("SLA"), establishing affordable housing as a priority in the disposition and long-term leases of public properties. The SLA changes require that local jurisdictions declare properties for disposition as either "surplus land" or "exempt surplus land", require that properties are offered to housing sponsors, and that priority be given to projects that provide more affordable units and/or deeper affordability. These changes impact a local jurisdiction's level of control over the process and ultimate development of its real property assets.

IV. Accomplishments & Planned Activities

Since redevelopment dissolution, the City, in its capacity as Housing Successor, has achieved significant accomplishments in the production of affordable housing units, in prioritizing and leveraging its assets to advance the City's affordable housing priorities, in seeking and capitalizing on opportunities to generate additional revenues, to preserve and extend affordability covenants, and to manage and administer its extensive portfolio of agreements and loans. Below follows a discussion of those accomplishments and an outline of the work that remains.

1. Housing Assets – Real Properties

The Housing Successor received a total of 22 real properties located in former redevelopment areas in downtown and southeastern San Diego. At the time of transfer, nine of the sites had been developed or under construction as affordable housing with recorded affordability covenants, and thirteen of the sites were undeveloped and/or did not have affordability restrictions in place. To date, 11 properties have been sold, developed or are currently under contract. A portion of the 13th and Market site was developed with the Alpha Square project, with the balance of the site remaining for development. Five properties, including the balance of the 13th and Market site, remain to be developed/utilized for their intended affordable housing purpose.

(a) Real Properties Transferred with Long-term Affordability Covenants

Nine former RDA properties were transferred to the housing successor with existing housing units and long-term affordability covenants in place as summarized in the table below.

Table 3: Redevelopment Properties Transferred to City with existing Long-term Affordability Covenants

	Site	Area	Total Units	Affordable Units	Covenants Expiration	Ground Lease Expiration	Funds to LMIHAF
1.	Celadon at 9th & Broadway	Downtown – East Village	250	248	2071	2083	
2.	CCBA Senior Garden	Downtown – Marina	45	45	2077 (extended 20 years)	2077	$410,891 (Refinancing)
3.	Cedar Gateway	Downtown – Cortez	65	65	2068	2080	
4.	Columbia Tower	Downtown - Columbia	150	148	2037	2037	
5.	Heritage Apartments	Downtown – Cortez	230	38	2029	n/a (sold)	$5,992,900 (Purchase Option)

	Site	Area	Total Units	Affordable Units	Covenants Expiration	Ground Lease Expiration	Funds to LMIHAF
6.	Horton House	Downtown – Marina	153	150	2030 (sale extends 55 years) to extend 55 years from closing	2030 (terminates at sale closing)	$19,600,000 (Sale pending)
7.	Lincoln Hotel	Downtown – Gaslamp	41	40	2052	2052	$861,899 (Loan payoff)
8.	Ten Fifty B	Downtown – East Village	229	226	2066	2076	
9.	Villa Maria	Downtown – Little Italy	37	36	2053	2054	$2,700,000 (Loan payoff)
	Subtotal - Dollars to LMIHAF						$ 29,565,690

Of the nine former redevelopment agency properties that were transferred to the Housing Successor with long-term affordability restrictions, all continue to provide rent and income restricted units to the San Diego community.

In addition, Civic and City staff have continued to look for opportunities to further leverage these properties, resulting in the following:

- **Heritage Apartments -** In 2014, the developer exercised its purchase option pursuant to the DDA to acquire fee title to the site. As a result, the ground lease was terminated; the site was conveyed from the Housing Successor to the developer, the expiration date of the affordability covenants was modified to 2029, and in 2015 sales proceeds of $5,992,900 were deposited into the LMIHAF.
- **Chinese Consolidated Benevolent Association (CCBA) Senior Garden Apartments** - In 2020, Civic and City staff worked with the owner to facilitate refinancing, rehabilitation, and extension of the ground lease. Rehabilitation of the project was completed in 2022. As a result, the City received approximately $411K in accrued interest, and extension of the affordability covenants an additional 20 years (55 years from rehabilitation completion).
- **Horton House** – Staff negotiated the sale of the City's fee interest title to the site. The City approved the sale in April 2023. When escrow closes in late 2023/early 2024 this transaction will provide approximately $19.6M in sales proceeds to the LMIHAF. In addition, the Developer will complete a rehabilitation of the property and recordation of new 55-year affordability covenants.
- **Lincoln Hotel -** In 2023, the City approved the buyer's assumption of the City's ground lease, and received a total payoff of the City's loan balance and all accrued interest.
- **Villa Maria Apartments** - In 2020, the City approved the buyer's assumption of the City's ground lease, and received a total payoff of the City's loan balance and all accrued interest.
- **Columbia Tower** - Civic and City staff continue negotiations with the developer for the potential sale of the City's fee interest in the site which is anticipated to generate over $20M

to the LMIHAF and recordation of new 55-year affordability covenants.

(b) Real Properties Sold, Developed, or Under Contract

Since adoption of the original Master Plan in 2013, the following 11 former redevelopment agency Housing Asset properties have been sold, developed, or are under contract for the development of affordable housing:

Table 4: Properties sold, developed, or under contract

	Site	Area	Total Units	Afford-able Units	Type of Disposition	Status	Funds to LMIHAF
1.	Market Street Square	Downtown - Marina	192	39	Negotiated Sale of Fee Title Interest, termination of ground lease, reestablishment of covenants	Complete 2015	$15,500,000 (Sale proceeds)
2.	Heritage Apartments	Downtown – Cortez Hill	230	38	Sale of Fee Title Interest and termination of ground lease, through Developer's DDA Purchase Option	Complete 2015	$5,992,900 (Sale proceeds- included above)
3.	Fourth & Beech - Atmosphere	Downtown – Cortez	205	202	DDA – Ground Lease City Loan $11.6M	Complete 2017	-
4.	13th & Market - Alpha Square - Affordable component	Downtown – East Village	203	201	DDA – Ground Lease City Loan $17.1M	Complete 2016	-
5.	Ouchi site- Ouchi Courtyards	Southeastern– Central Imperial	45	44	DDA – Ground Lease City Loan $5.44M	Complete 2017	-
6.	Park and Market	Downtown – East Village	426	85	DDA	Complete 2021	$12,300,000 (Land Sale Proceeds)

	Site	Area	Total Units	Afford-able Units	Type of Disposition	Status	Funds to LMIHAF
7.	Hilltop & Euclid-Orchard at Hilltop and Hilltop Market Rate	Southeastern – Central Imperial	160	111	DDA - Orchard at Hilltop City Loan $5.85M PSA - Hilltop Market Rate	Complete 2022 Complete 2023 (anticipated)	$2,210,000 (Land Sale Proceeds)
8.	13th & Broadway	Downtown – East Village	273	270	DDA – Ground Lease City Loan $14.6M	Under contract – Construction start late 2023	-
9.	6395-97 Imperial Avenue	Southeastern–Central Imperial	n/a	n/a	Termination of Housing Requirements with payment of fair market value to LMIHAF	Complete 2021	$290,000 (Transfer to LMIHAF)
10.	Popular Market	Downtown – East Village	n/a	n/a	PSA - sold for fair market value plus affordable housing premium	Complete 2021	$8,500,000 (Land Sale Proceeds)
11.	Horton House	Downtown – Marina	150	148	Negotiated Sale of Fee Title Interest, termination of ground lease, rehabilitation, and new 55-year covenants.	Under Contract – PSA approved Spring 2023 – closing early 2024	$19,600,000 (Sale proceeds – pending closing early 2024)
	Subtotal - Dollars to LMIHAF (not including Heritage and Horton House sales proceeds as these proceeds were included in the table 3 above)						$38,800,000

The following provides a summary of the disposition of each of the above sites which were either sold, developed, or under contract for affordable housing:

1. **<u>Market Street Square</u>** – The site was transferred to the Housing Successor with expired affordability covenants and the developer controlling the site through a ground lease with the former RDA. In 2015 the City Council approved a negotiated agreement to sell the fee title interest in the property to the developer, with the City receiving reestablished affordability covenants on 39 previously restricted units, a provision that redevelopment of the property prior to 2051 would require the greater of 10% of the total units or 40

units be restricted, and approximately $15.57M in land sale proceeds deposited to the LMIHAF.

2. **Heritage Apartments** - As noted above, the site was transferred to the Housing Successor as a developed project with existing affordability covenants and the developer controlling the site through a ground lease with the former RDA. In 2015, the developer exercised its option to purchase the City's fee title interests generating approximately $5.992M in net proceeds to LMIHAF, with covenants remaining until 2029.
3. **Fourth and Beech** - The property was included in the Atmosphere DDA approved by City Council in 2013. The City provided a gap financing loan of $11.6M for the construction of 205 total units, including 202 affordable with 51 permanent supportive housing units, completed in Spring 2017.
4. **13th & Market** - A portion of the site was included in the Alpha Square DDA approved by City Council in June 2013. The City provided a gap financing assistance loan of approximately $17.1M for the construction of 203 units, including 201 affordable with 135 permanent support units, completed in 2016.
5. **Ouchi Site** - The site was included in the Ouchi Courtyards DDA approved by City Council in May 2015. The City provided a gap financing loan of $5.44M for the construction and 55-year affordability of the 45- unit project including 44 affordable with seven permanent supportive units, completed in 2017.
6. **Park and Market** - The DDA was approved by City Council in 2016 and the City received $12.3M in land sales proceeds to the LMIHAF. Construction included a new UCSD facility along with office and retail spaces, 426 residential units including 85 affordable. The project was completed in 2021.
7. **Hilltop & Euclid** _- Disposition and development of the site was comprised of affordable and market rate projects. In 2018, the City approved the Orchard at Hilltop DDA a 113-unit rental project with 111 affordable units. The City provided a gap financing loan of $5.85M and the project was completed in 2022. The City Council also approved a Purchase and Sale Agreement for the remainder of the site which provides for construction of 47 for-sale market rate units, with the City receiving $2.2M in land sale proceeds to the LMIHAF. The market rate project is currently under construction and scheduled to be completed during 2023.
8. **13th & Broadway -** The DDA (aka Harrington Heights) was approved by City Council in 2019, and a First Implementation Agreement was approved in 2022. The project is a 15-story, pedestrian and transit friendly 273-unit rental apartment project with 270 affordable units. The City will provide project assistance of $14.6M. Construction is scheduled to commence in late 2023. This project will also facilitate construction of a new East Village Fire Station.
9. **6395-97 Imperial Avenue** - The site was reclassified as a non-housing asset. In 2020, the City Council approved payment of $290,000 to the LMIHAF, representing the appraised fair market value and making the LMIHAF whole to remove affordable housing requirements from the site. The site remains subject to disposition in compliance with the SLA.
10. **Popular Market** – The Purchase and Sale Agreement was approved by City Council in 2020. The sale closed in 2021for the purchase price of $8.5M (fair market value plus affordable housing premium). Net proceeds were deposited into the LMIHAF.

11. **Horton House** – The Purchase and Sale Agreement was approved by the City Council in 2023. The PSA provides for a purchase price of $19.6M, completion of substantial rehabilitation of the existing units and property, and new 55-year covenants resulting in a net gain of approximately 47 years of affordability restrictions on the property's 150 affordable units.

(c) Real Properties remaining for Affordable Housing Activities

The following five former redevelopment agency properties will be developed or sold for development to include affordable housing in compliance with the SLA, redevelopment law, and this Master Plan.

Table 5: Future properties to be sold or developed

	Site	Area	Current/ Interim Use	Status/Proposed Use
1.	808 W. Cedar site	Downtown – Little Italy	Leased – child care use. Revenues of approximately $220,000 annually to LMIHAF	Anticipate issuance of RFQ/P in 2023. City to require minimum 40% of units be affordable for SLA compliance. City Council to be requested to declare site as exempt surplus concurrently with project approvals.
2.	40th & Alpha site	Southeastern – Southcrest	Two non-contiguous lots - vacant	Offered mid FY 23 through SLA Notice of Availability process. Responses received, good faith negotiations on-going. Anticipated Council action in FY24.
3.	475 W. Broadway site	Downtown – Columbia	Leased – childcare use. Revenues of approximately $200,000 annually to LMIHAF	Anticipate issuance of RFQ/P in 2023. City to require minimum 40% of units be affordable for SLA compliance. City Council to be requested to declare site as exempt surplus concurrently with project approvals.
4.	13th & Market site	Downtown - East Village	Corner parcel of this non-contiguous site currently leased for community retail/ outdoor event space. The other parcel is vacant.	Anticipate issuance of RFQ/P in 2023. City to require minimum 40% of units be affordable for SLA compliance. City Council to be requested to declare site as exempt surplus concurrently with project approvals.
5.	7th and Market site	Downtown – East Village	Leased for surface public parking – revenues to LMIHAF	Offered May 2023 through SLA Notice of Availability process. Responses received, evaluation underway. Anticipated Council action in FY25.

The following provides a summary of the proposed disposition of the above sites:

1. **808 W. Cedar** - The City anticipates issuing an RFQ/P seeking a developer for the site in FY 2024. Per discussions with HCD, the City intends to declare the property as exempt surplus land and will require that proposers include at least 40% of the units as affordable housing. The site is currently leased to non-profit Neighborhood House Association for use as a childcare facility. This lease generates over $220,000 annually with revenues deposited to the LMIHAF.
2. **40th and Alpha** - The site was offered, in accordance with SLA, through the Notice of Availability process. Responses have been received and evaluated, and the City is in the 90-day good faith negotiation period. This non-contiguous site is currently vacant land.
3. **475 W. Broadway** - The City anticipates issuing an RFQ/P seeking a developer for the site in FY 2024. Per discussions with HCD, the City intends to declare the property as exempt surplus land and will require that proposers include at least 40% of the units as affordable housing. The site is currently leased to non-profit Neighborhood House Association for use as a childcare facility. This lease generates over $200,000 annually with revenues deposited to the LMIHAF.
4. **13th and Market** - The City anticipates issuing an RFQ/P seeking a developer for the site in FY 2024. Per discussions with HCD, the City intends to declare the property as exempt surplus land and will require that proposers include at least 40% of the units as affordable housing. The corner portion of the non-contiguous site is currently leased to Quartyard and utilized as community retail/ outdoor event space. The midblock portion of the site will be leased on a temporary basis to the City's East Village Green Park contractor beginning in August 2023.
5. **7th and Market** – The site was previously under contract, but the City terminated the 2016 DDA in February 2023. Subsequently, in May 2023, the property was offered, in accordance with the SLA NOA process, as applicable, Letter of Interest responses were due in August 2023. A City Selection Committee has been convened, and the review and evaluation of proposals is underway. It is anticipated that a recommended project will be presented for City Council approval in FY25. The site is currently in use as a public parking lot with revenues deposited to the LMIHAF.

2. Efforts to provide Housing for Persons Experiencing or at risk of Homelessness

(a) Permanent Supportive Housing

The Master Plan guidelines strive to allocate funding for production of housing units targeted for persons experiencing homelessness and those at risk of homelessness, as well as utilizing the City-owned properties for development of housing units targeted for these populations.

Since dissolution, the Housing Successor has facilitated the completion of 867 permanent supportive housing units and 194 transitional beds serving a number of at-risk target populations such as transition aged youth, mentally ill, homeless veterans, senior citizens, and others.

(b) Bridge to Housing Shelters

In support of the City's Bridge Shelters program, and in collaboration with the San Diego Housing Commission ("SDHC"), LMIHAF funds in excess of $6M were used to replace SDHC funds allocated to certain proposed affordable housing projects, to allow SDHC funds to be used to fund the Bridge Shelters. The three Bridge Shelters have the capacity to house 674 homeless individuals nightly. The City has utilized the Bridge Shelters program as a component of a Comprehensive Shelter Strategy being developed within the City's Homeless Strategies and Solutions Department.

This partnership provided a mechanism to fund the Bridge Shelters without jeopardizing financing for other affordable housing projects. LMIHAF monies were used to backfill SDHC funds in other projects.

(c) Homeless Prevention and Rapid Rehousing funding

Senate Bill 341 ("SB 341") allows Housing Successors to expend up to $250K per fiscal year for homeless prevention and rapid rehousing services, which include provision of short- term rental assistance, housing relocation and stabilization services and case management. Expenditures for these services are allowed only if the Housing Successor has fulfilled all obligations for the replacement and inclusionary housing and monitoring required under the Health and Safety Code Sections 33413 and 33418, which was fulfilled in 2017 with the completion of the Atmosphere project that provided 18 very-low income units and 79 low/moderate income units toward the remaining outstanding production obligation. The City subsequently entered into an MOU with the San Diego Housing Commission for a five-year period beginning in FY 2019, and authorized use of the annual $250,000 homeless prevention funds to support the Housing Navigation Center, now known as the Homeless Response Center.

3. Other Affordable Housing Activities

(a) Affordable Housing Projects on Non-City Owned Land

In addition to disposition and development of the Housing Successor's real property assets to facilitate the development of affordable housing, City and Civic staff facilitated the completion of the five affordable housing enforceable obligation redevelopment projects that were under construction at the time of dissolution, and negotiated agreements and/or partnerships to facilitate five additional projects.

The following table lists the five enforceable obligation (EO) affordable housing projects under construction at the time of redevelopment dissolution and the five projects that were later approved by the City Council as they provided opportunities for affordable housing development consistent with the guiding principles of the Master Plan. Nine of these projects have been completed and occupied, and the Kettner Crossing project is currently under construction:

Table 6: Other Affordable Housing Projects

	Project	Area	Total Units	Affordable Units	Permanent Supportive Units	Status
1.	Estrella del Mercado*	Barrio Logan	92	91	0	Complete
2.	Mission Apartments*	North Bay	85	84	0	Complete
3.	Mason Hotel*	Downtown - Cortez	17	16	16	Complete
4.	VVSD Phase IV*	North Bay	24	24	24	Complete
5.	Kalos Apartments*	North Park	83	82	0	Complete
6.	Hotel Churchill	Downtown – East Village	73	72	72	Complete
7.	New Palace Hotel	Bankers Hill – Park West	80	79	79	Complete
8.	Trolley Park Terrace	Encanto Neighborhoods	52	51	0	Complete
9.	Keeler Court Apartments	Southcrest – SESD	71	70	7	Complete
Completed Total Units			**577**	**569**	**198**	
10.	Kettner Crossing	Downtown - Little Italy	253	63	5	Under construction
Total Units			**830**	**632**	**203**	

*Enforceable Obligation under construction at redevelopment dissolution

1. **Estrella del Mercado** – The Affordable Housing Agreement dated July 2010, along with related amendments, affordability covenants and a $9,104,000 loan to the project was an enforceable obligation under construction when transferred to the Housing Successor. Located in Barrio Logan, the 92-unit project with 91 affordable units was completed in August 2012, and is part of a larger, mixed-use residential and commercial redevelopment of a long vacant site, now providing the community with a supermarket, neighborhood retail shops, restaurants, public art and plaza event spaces. The Estrella del Mercado project won the 2013 Building Industry Association of San Diego Best Affordable Project ICON Award.

2. **Mission Apartments** - The OPA dated December 9, 2010, the City's covenants and $6,000,000 loan to the project was an enforceable obligation under construction when transferred to the Housing Successor. Located directly adjacent to the Washington Street Trolley Station, the 85-unit project with 84 affordable units replaced a parking lot and was completed in October 2012. Residents can walk directly from their doorstep to the trolley station. The project received the San Diego Housing Federation Ruby Award for Project of the Year, and was awarded for Best Re-use of Land by Multifamily Executive Magazine.
3. **Mason Hotel** – The OPA dated December 3, 2010 along with the City's covenants and $1,318,964 loan to the project was an enforceable obligation under construction when transferred to the Housing Successor. Located on Fifth Avenue in Downtown San Diego, this was an existing 100-year old single room occupancy affordable hotel that had been vacant and uninhabitable since a 2004 fire severely damaged the building. The building was reconfigured to create 17 larger studio units with private baths and kitchenettes to serve as supportive housing for homeless or people at risk of homelessness with mental disability. Under the former RDA's prior loan to the hotel, it was entitled to the $700,000 fire insurance proceeds, and through the OPA contributed the entire amount towards the project repair and rehabilitation that was completed in November 2012.
4. **Veteran's Village** – The DDA dated September 2, 2003, and related amendments along with the covenants and loans for the multi-phase projects were transferred to the Housing Successor and Phase IV was under construction and the City's $1,118,012 forgivable loan was an enforceable obligation. Completed in November 2012, Phase IV provided transitional housing for veterans attending or graduated from onsite treatment programs. Construction included twelve new apartments with 24 transitional living beds with supportive services available to young homeless Iraq and Afghanistan war veterans, along with community space, classrooms, and offices.
5. **Kalos Apartments** - The Florida Street OPA dated August 13, 2009, along with related amendments, affordability covenants and a $5,600,000 loan to the project were enforceable obligations for this under-construction project when transferred to the Housing Successor. Located in North Park, two blocks east of Park Boulevard and within walking distance of high-use transit lines, major employment centers and neighborhood amenities, but was physically challenged with a steep slope. The 84-unit redevelopment project was completed in December 2012, providing 83 new affordable family units along with multiple amenities, and received the U.S. Green Building Council LEED for Homes Outstanding Affordable Project of the Year, and the San Diego Housing Federation Ruby Award for Efficiency and Sustainability.
6. **Hotel Churchill** – This project is one of several collaborative efforts between CivicSD, SDHC, and its development entity Housing Development Partners (HDP) to bring forward much needed affordable housing. Included in the original Master Plan, the City Council approved an OPA for the project which rehabilitated a historic structure on C Street between 8th and 9th avenues to provide 73 total units, (72 affordable) with a focus on homeless veterans and transition aged youth. Pursuant to the OPA, the City provided gap financing assistance in the form of a loan in the approximate amount of $3M. This project was completed in summer 2016 and won multiple awards for its historic preservation design and a San Diego Housing Federation Ruby Award project of the year.
7. **New Palace Hotel** – This project was added to the 2018 Master Plan Update, as it presented another opportunity for Civic SD, on behalf of the City, to again partner with SDHC and HDP and advance the goals of the Master Plan. The project, located in Bankers Hill, completed the

rehabilitation of 80 units targeted to seniors. Pursuant to the OPA, the City provided gap financing assistance in the form of a loan in the approximate amount of $1.96M. The project was completed in 2018 and won an Award of Excellence from the National Association of Housing and Redevelopment Officials for the conversion of a hotel property into permanent housing for seniors.

8. **Trolley Park Terrace** – This project was not specifically identified in the original Master Plan, but added in the 2015 update and is consistent with its goals and objectives. Pursuant to the OPA the City provided gap financing assistance in the form of a loan in the approximate amount of $800,000. This 52-unit affordable project was completed in 2016.
9. **Keeler Court Apartments** – This project was added in the 2018 Master Plan Update, as it is consistent with its goals and objectives. This 71-unit project, 70 affordable with 7 supportive units, was originally approved by the City Council on June 20, 2017, with a First Amendment to the OPA approved on January 9, 2018. Pursuant to the OPA the City provided gap financing assistance in the form of loan in the approximate amount of $6.814M. This project was completed in 2021 and received a Ruby Award for Project of the Year, a Merit award for design from Pacific Coast Builders, and an AIA San Diego Merit Award for High-Performing Sustainable Design.
10. **Kettner Crossing** – This project was added to the 2018 Master Plan Update, as an opportunity to partner with the County for development of its site in Little Italy and provide market rate and affordable housing that will include a total of 253 housing units to be constructed on the site. The City approved an OPA in 2021 for the 64-unit rental project with 63 affordable units including five supportive units, and a loan in the amount of $4.48M. Construction began in April 2023 and is anticipated to be completed in early 2025.

(b) Notice of Funding Availability (NOFA) for Affordable Housing

To assist in deploying LMIHAF to create affordable housing and consistent with the approved Master Plan, the City has issued three NOFAs.

- 2017 NOFA – In February 2017, CivicSD, on behalf of the City, issued a NOFA to solicit affordable housing developments. This initial NOFA from the LMIHAF resulted in the development of 332 total units, with 326 affordable, including 269 permanent supportive units. All five projects are complete and occupied (see Table 7).

- 2021 NOFA (Bridge to Home Round One) – In 2021, CivicSD assisted the City in issuing a two – step solicitation; a Request for Qualifications to pre-qualify affordable housing developers, who were then eligible to respond with their proposals; and the Round One NOFA. Round One included $33 million from three City funding sources, the LMIHAF, Community Development Block Grant (CDBG) and Permanent Local Housing Allocation (PLHA). The City Council approved gap financing loans that included $17.35M in LMIHAF, $4.05M PLHA and $10.5M CDBG, to seven projects that will produce 662 units, with 655 affordable housing units including 193 supportive units (see Table 7).

- 2022 NOFA (Bridge to Home Round Two) – In 2022, CivicSD assisted the City in continuing this effort and issued Round Two of the NOFA to the projects that were unfunded in Round One. The City Council approved gap financing loans including LMIHAF of $2.289M, PLHA of $4.9M, and CDBG of $7.1M to three projects. The City, County and Housing Commission also notified the unfunded projects and other developers of the availability of an application partnership for state Homekey funding. One project applied and received a Homekey award in the amount of $11.825M and City NOFA funds of $1.4M. The four projects approved through Round Two will provide 287 total units including 282 affordable units with 79 permanent supportive units (see Table 7 .

- 2023 NOFA (Bridge to Home Round Three) – On August 4, 2023, the City, with assistance from Civic, released the approximately $20 million Round Three Bridge to Home NOFA comprised of Low and Moderate Income Housing Asset Funds (LMIHAF), Permanent Local Allocation Funds (PLHA), HOME Investment Partnership Program (HOME), and Community Development Block Grant (CDBG) funds. Applications are due October 6, 2023. For more information, please visit: https://www.sandiego.gov/economic-development/bridge-to-home

Table 7: NOFA Projects

Project	Total Units	Affordable Units	Permanent Supportive Units	Total City Funds	Scheduled Opening
2017 NOFA					
Encanto Village	66	65	8	$6,250,000	12/4/2019
San Ysidro Senior Village	51	50	50	$5,000,000	4/1/2020
The Link	88	86	86	$10,350,000	8/13/2020
Trinity Place Seniors	74	73	73	$4,800.000	8/13/2021
Ivy Senior Apartments	53	52	52	$3,000,000	10/28/21
TOTALS (2017)	**332**	**326**	**269**	**$29,400,000**	
2021 NOFA (Bridge to Home Round One)					
Beyer Blvd Trolley Village	100	99	-	$ 5,000,000	2025
Rancho Bernardo Transit Village	100	99	-	$ 5,000,000	2025/26

Project	Total Units	Affordable Units	Permanent Supportive Units	Total City Funds	Scheduled Opening
Ventana al Sur	101	100	25	$ 5,000,000	2024
Iris at San Ysidro	100	99	15	$ 5,000,000	2025/26
Cortez Hill Apts.	88	87	14	$ 1,400,000	2025
17th & Commercial	108	107	107	$ 4,000,000	2025/26
Serenade on 43rd	65	64	32	$ 6,500,000	2024/25
TOTALS (2021)	**662**	**655**	**193**	**$31,900,000**	
2022 NOFA (Bridge to Home Round Two)					
Iris Ave Trolley Apts.	64	63	-	$ 4,788,755	2025/26
Encanto Gateway	65	64	9	$5,500,000	2025/26
Cuatro at City Heights	117	115	30	$ 4,000,000	2025/26
PATH Villas El Cerrito Phase 1	41	40	40	$ 2,050,000	2023
TOTALS (2022)	**287**	**282**	**79**	**$1,633,755**	
TOTAL NOFAs	**1,281**	**1,263**	**541**	**$ 77,638,755**	

(c) Administration of Agreements, Loans, and Covenants

The Housing Successor manages and administers: over 100 Affordable Housing Agreements (OPAs, DDAs, Other); 67 outstanding affordable housing project loans; 241 active direct support homeowner loans (first time homebuyer and rehabilitation assistance loans) to individuals/households; affordability covenants covering over 7,600 rental units, with another 853 units under contract.

In May 2019, the San Diego Housing Commission (SDHC) provided written notice of termination of the Agreement(s) for the administration of the Housing Enhancement Loan Program (HELP). HELP was a former redevelopment program to increase, improve, and preserve the supply of low- and moderate- income housing occupied by persons and families of extremely low-, very low-, low- and moderate- income in the former redevelopment project areas of City Heights, College, Crossroads, Grantville, Linda Vista, North Park, Southeast San Diego, and San Ysidro.

The Commission requested a termination date of July 1, 2019. Per the terms of the Agreements, the Housing Commission is required to transfer any remaining unused fund balance, within thirty (30) calendar days of the notice of termination. In August 2019, the Commission returned the fund balance of $1,558,014.84 to the City and it was deposited in LMIHAF.

There were 257 active forgivable HELP loans in the various former redevelopment project areas in 2019. The loans require administrative changes requested by either the current owners or prospective new owners. The loans also need periodic verification that the resident is owner-occupied. The City provided an Assignment and Assumption notice to all 257 loans and designated Civic to assist with the Master Assignment and preparation of the administrative loan servicing duties.

Below is an overview and status of the loan programs that provided direct support to homeowners:

- **Home in the Heights loan program**: This City Heights first-time homebuyer program began in 2003 providing loans to low to moderate income homebuyer owner occupants, that were forgivable over 20 years. In 2013, 107 loans were transferred to the City, totaling $3,011,095. Community Housing Works and Springboard previously administered the program and serviced loans. The City assumed loan servicing in 2019 of 63 active loans and the City has received payoffs totaling $401,306 deposited to the LMIHAF. As of 6/30/2022 there are 39 active loans totaling $1,095,645.

- **Downtown First Time Homebuyer program**: This program began in 2008, providing loans to low to moderate downtown homebuyer owner occupants with 45-year restrictions on owner occupancy, and loan forgiveness at the expiration of the 45-year term. If the home is resold prior to the 45-year term, the loan is repaid in full including the City's share of equity appreciation. Nineteen loans totaling $1,232,630 were transferred to the City in 2013. Currently there are six active loans totaling $282,774 as of 6/30/22. 12 loans were paid off since 2013 and four written off due to foreclosure.

- **Southeastern San Diego First Time Homebuyer loan program**: This program began in 1994, providing loans to low to moderate income buyers who would remain owner occupants. There were two lending models, loans were either forgiven after 25 years owner occupancy, or due in full after 25 years. If resold, the loan repayment plus an equity share was due. 33 loans totaling $666,831 were transferred to the City in 2013. As of 6/30/2022, 18 loans are active with loan balances totaling $407,683.

- **Housing Enhancement Loan Program**: This loan program for low to moderate income owner occupants for rehabilitation and improvements to one or two-unit homes, began in 1991 in one redevelopment project area, and later expanded to eight redevelopment project areas. Loans were forgivable over a 10- or 12-year term. 493 active loans were transferred to the City totaling $7,746,373. From 2012 to FY 2019, 137 additional loans were placed totaling $3,271,841, when the Housing Commission discontinued its rehabilitation construction department returned the $1,558,015 of program income to the City for deposit to the LMIHAF. 257 loans were active in 2019 when the City took over loan servicing, with a loan balance of $6,210,722. As of 6/30/2022 there are 178 active loans with a balance of $3,033,551.

A summary listing of the Housing Successor's active affordable housing project loans is attached as Attachment D. Any repayment from these loans must be deposited to the LMIHAF for affordable housing purposes.

Staff has completed a review of the Housing Successor's Affordability Covenants and determined that a total of seven projects have covenants that are due to expire during the five-year Master Plan period ending in 2028. Where feasible, the Housing Successor shall make best efforts to extend expiring affordability covenants. Projects with covenants set to expire on or before 2028 include the following:

Table 8: Covenants Expiring within 5 Years

Covenants Expiring within 5 Years			
Project Name	**Neighborhood**	**Number of Units**	**Covenant Expiration**
Library Lofts + Church Lofts	Downtown	18	1/2/2026
Yale Lofts	Downtown	14	10/11/2026
Trolley Lofts	Downtown	27	12/30/2026
Little Italy Neighborhood Development - 17	Downtown	1	3/4/2027
Little Italy Neighborhood Development - 18	Downtown	1	3/4/2027
Scripps Lofts	Downtown	10	9/19/2027
Village Place Apartments	Downtown	46	6/25/2028

For the above listed projects, despite the stated expiration dates, affordability covenants remain in place in perpetuity unless the owner demonstrates rents are no longer financially feasible, which Owner can claim as of the expiration date, subject to City Council review and approval.

In the 2018 Master Plan update, the following four projects were identified as having covenants that were set to expire.

Table 9: Status of Covenants Identified as expiring during the previous 5-Years

Status of Covenants Identified as expiring during the previous 5-Years				
Project Name	**Neighborhood**	**Number of Units**	**Covenant Expiration**	**Notes**
Island Inn	Downtown	197	06/09/2017	SDHC extended
J Street Inn	Downtown	221	06/25/2020	SDHC extended
Dustin Arms (Cole Block)	Downtown	44	12/13/2020	Covenants remain
Del Mar Apts. (Parker Kier)	Downtown	33	03/31/2022	Covenants remain

Of these, all covenants were extended beyond there stated expiration dates.

- SDHC negotiated an extension of the expiring covenants with the Island Inn owners.
- SDHC negotiated an extension of the expiring covenants with the J Street Inn owners.
- The Dustin Arms (Cole Block) agreement required that the affordability covenants remain unless the owner requested removal of the affordability restrictions and demonstrated that it is infeasible to continue to operate the property with the covenants in place. The owner indicated he intended to retain the affordability covenants.
- Del Mar Apartments (Parker Kier) is a property owned by SDHC and the Agency covenants remain until the owner requests removal and demonstrates it is no longer feasible to operate and maintain in a decent, safe and sanitary manner, subject to City Council approval. SDHC has indicated it intends to retain the affordability covenants in perpetuity.

A listing of the current Housing Successor's Affordability Covenants for affordable housing rental projects is attached as Attachment E.

V. CASH FLOW ANALYSIS

An updated cash flow analysis has been prepared and attached as Attachment G. This analysis includes actual revenues and expenditures/encumbrances through FY 2023, with projections extended through the five-year Master Plan period, ending in FY 2028.

Projected Revenues

Over the next five years it is anticipated that the LMIHAF will have additional revenues which can be utilized to produce affordable housing. The anticipated revenues over the course of the next five years will be generated primarily from: 1) Proceeds from the disposition of land; and, 2) Revenues from loan repayments, ground lease payments and other program incomes. Some interest income will continue to accrue. However, the balance of Affordable Housing Excess Bond Proceeds and interest on these proceeds will be fully expended during calendar year 2023. Details of the projected revenues can be found in Attachment G. The following provides a summary of the anticipated revenues.

Table 10: LMIHAF Projected Revenues

LMIHAF Projected Revenues (in millions)							
Revenue	**FY 13 to FY 23**	**FY 24**	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**Totals**
Excess Bond Proceeds	$ 34.4	$	$	$	$	$	$ 34.4
Loan/Lease/Other Income	59.1	2.9	0.8	.0	.0	.0	62.8
Interest Income	13.4	1.0	1.0	1.0	.5	.5	17.4
Land Disposition Proceeds	44.5	19.0	32.0	.0	.0	.0	95.5
Total Revenues	**$ 151.4**	**$ 22.9**	**$ 33.8**	**$ 1.0**	**$ .5**	**$ .5**	**$ 210.1**

(a) Balance of the Affordable Housing Bond Proceeds:

Dissolution allows the City to control the balance of the unencumbered affordable housing bond proceeds issued by the Former RDA prior to 2011 for the purposes of affordable housing. The initial balance was updated to be approximately $34.38M, with income from interest earnings, etc., added to the balance as they are received. The remaining proceeds, including interest, total approximately $665,000, have been encumbered, and are anticipated to be fully expended during 2023.

(b) Revenues from loan repayments, lease payments and other program incomes:

The City must deposit loan repayments from affordable housing debt issued by the Former RDA, lease payments collected from affordable housing assets and other program incomes related to affordable housing assets, into the LMIHAF for affordable housing expenditures pursuant to SB 341 requirements.

A majority of the development loans issued by the Former RDA are in the form of residual receipts loans, and the amount of anticipated repayments on these loans is minimal. The actual annual receipts will fluctuate from year to year depending on the performance of the properties with the Former RDA loans and ground leases, but are expected to decline as lease expirations, land dispositions and development activities progress.

A number of downtown Housing Asset sites continue to be leased under short-term leases, which will generate revenues until the sites are ready for proposed development activities. The revenues generated from these properties are deposited to the LMIHAF for future affordable housing production. Civic and the City have implemented temporary uses that not only generate income for the LMIHAF but also benefit the community.

This revenue may be applied toward affordable housing projects located anywhere within the City of San Diego limits. Civic will work closely with the City to monitor the future operations of these assets to ensure optimization of revenues to the LMIHAF.

(c) Land Disposition Proceeds:

Land disposition proceeds from the sale of real property housing assets will be deposited to the LMIHAF for future affordable housing activities City-wide. The land disposition proceeds will not become available for affordable housing purposes until agreements are negotiated, approved by City Council, executed and the transactions closed. Therefore, the timing of availability of these funds is speculative and will vary depending on the timing of the issuance of RFPs, negotiation of agreements, and closing of transactions upon fulfillment of all conditions precedent. With changes to the SLA placing a higher priority on agencies disposing of surplus land for affordable housing purposes, it is likely that sites will be developed with a greater number of affordable units versus market rate units which could result in lower land values and lower net proceeds to the LMIHAF.

Proposed Project Expenditures:

Over the next five years it is anticipated that the LMIHAF will expend or encumber the funds balance to produce affordable housing including: 1) funding projects already approved by the City Council, 2) funding future affordable housing projects generated through NOFAs, RFPs, or other efforts, which require City Council approval, and 3) administrative and project management costs associated with the LMIHAF.

Table 11: Estimated Future Expenditures

Expenditures	FY 13 to FY 23 Actuals	FY 24 Projection	FY 25	FY 26	FY 27	FY 28	Totals
Approved Projects Expenditures	$82.6	$32.7	$0.3	$0.2	$0.3	$0.2	$116.3
Future Projects & NOFAs		30.0	30.0				60.0
Admin & Project Mgmt.	13.7	1.3	1.3	1.3	1.3	1.3	20.2
Total Expenditures.	$96.3	$64.0	$31.6	$1.5	$1.6	$1.5	$196.5

(a) Approved Project Expenditures

As of this update, 13 projects are currently under construction or have been approved for City financial assistance. Utilizing federal and state funds like CDBG, PLHA, and other sources of affordable housing financing allows the City to leverage its LMIHAF dollars to create additional units as part of implementing the strategies and goals as outlined in the Master Plan. The projects currently under construction or contract are detailed in the table below.

Table 12: Projects Under Construction or with Approved Agreements

Project	Total City Funding	Total LMIHAF	Scheduled Opening
13th & Broadway (Harrington Heights)	$ 14,600,000	$ 8,321,506	2026
Kettner Crossing	$ 4,480,000	$ 4,480,000	2025/26
Beyer Blvd Trolley Village	$ 5,000,000	$ 5,000,000	2025
Rancho Bernardo Transit Village	$ 5,000,000	$ 5,000,000	2025/26
Ventana al Sur	$ 5,000,000	$ 3,750,000	2024
Iris at San Ysidro	$ 5,000,000	$ 3,600,000	2025/26
Cortez Hill Apts.	$ 1,400,000	-	2025
Serenade on 43rd	$ 6,500,000	-	2024/25
17th & Commercial	$ 4,000,000	-	2025/26
Iris Ave Trolley Apts.	$ 4,788,755	$ 1,288,755	2025/26
Encanto Gateway	$ 5,500,000	-	2025/26
Cuatro at City Heights	$ 4,000,000	$ 1,000,000	2025/26
PATH Villas El Cerrito Phase 1	$ 2,050,000	-	2023
TOTALS	$ 67,318,755	$ 32,440,261	

(b) Future Projects

The City has five remaining real property housing assets to be developed/disposed. The 40th and Alpha site, and the 7th and Market site, have been declared surplus property by the City and are currently on the market through the SLA NOA process. It is anticipated that the remaining three sites, 808 W. Cedar, 13th and Market, and 475 West Broadway, will be declared as excess surplus and offered for sale through the issuance of one or more RFPs requiring that the sites be developed for housing with 40% of the units affordable to meet the SLA exemption. With the opportunity to develop mixed income housing projects, which could include a significant number of market rate units, the City envisions that these sites could generate net land sales proceeds to the City's LMIHAF while providing a mix of market rate and affordable units. However, based on the number of affordable units proposed, and a project's economics, it is also possible that a proposed project may request financial assistance from the City. As the number of possible project variables are high and very much dependent on the interests of potential developers, available financing, compatibility of incentives, market demand, and the economy in general, the actual number of units developed could encompass a considerable range.

In addition. as affordable housing asset properties are sold and additional LMIHAF funds are generated, the City anticipates issuing future rounds of the Bridge to Home NOFA. The third round of the Bridge to Home NOFA was released on August 4, 2023, with applications due on October 6, 2023. This round will make available approximately $20 million in total funding including approximately $1 million in Low and Moderate Income Housing Asset Funds (LMIHAF), plus funding from the Permanent Local Allocation Funds (PLHA), HOME Investment Partnership Program (HOME), and Community Development Block Grant (CDBG) programs. Over the next few years it is estimated that over $30 million will be available for future NOFAs from LMIHAF which is estimated would facilitate the development of approximately 375 additional affordable housing units including at minimum 75 permanent supportive units. If other City funding sources are found to leverage LMIHAF funds, additional units could be provided. Further out, it is projected that another $25M in LMIHAF revenue could be generated which would potentially facilitate another 312 units.

Future Pipeline Projects and sites to be offered for sale, development or funding in Fiscal Years 2024 through 2028.

Table 13: Future Pipeline Projects

Project	Status
40th & Alpha	Site was offered for sale through SLA Notice of Funding Availability during FY 23, responses currently under evaluation/negotiation. Anticipated to generate net sales proceeds, in addition to affordable units. Funding from LMIHAF not anticipated.
7th and Market	Offered for sale through SLA Notice of Funding Availability during FY 23, Letters of Interest due August 4, 2023. Anticipated to generate net sales proceeds, in addition to affordable units. Funding from not anticipated. Funding requirement from LMIHAF, if any, to be determined.
808 W. Cedar	Anticipated to be offered for sale through RFQ/P in FY 24 as "exempt surplus" land. Exempt surplus criteria will require 40% of total residential units to be affordable. Anticipated to generate net sales proceeds. Funding requirement, from LMIHAF, if any, to be determined.
475 W. Broadway Downtown – Columbia	Anticipated to be offered for sale through RFQ/P in FY 24 as "exempt surplus" land. Exempt surplus criteria will require 40% of total residential units to be affordable. Anticipated to generate net sales proceeds. Funding requirement, from LMIHAF if any, to be determined.
13th/Market	Anticipated to be offered for sale through RFQ/P in FY 24 as "exempt surplus" land. Exempt surplus criteria will require 40% of total residential units to be affordable. Anticipated to generate net sales proceeds. Funding requirement, from LMIHAF, if any, to be determined.
Future NOFAs	Future NOFAs to be issued as funds are available. Cash flow anticipates initially $30,000,000 from LMIHAF will be available over the next few years which is estimated to finance approximately 375 affordable housing units with 75 PSH units.

(c) Administrative and Project Management Costs

The administrative and project management costs include: 1) Civic and City staff time to manage properties, negotiate DDAs/OPAs and loan agreements, close financing, and monitor implementation and construction; 2) Property management costs to maintain the properties until they are transferred to developers for future developments; 3) Construction loan monitoring costs for approved and future affordable housing projects; 4) legal and financial consulting costs for negotiation and document preparation for DDAs/OPAs/loan agreements and closings; 5) consulting costs (financial/economic, engineering, environmental, relocation and homeless) for management and development of Housing Assets. It should be noted that the City's allowable administrative costs for management of the LMIHAF is limited to two percent (2%) of the statutory value of real property, and loans and grants receivable held by the City, pursuant to California Health and Safety Code section 34176.1(F).

VI. AFFORDABLE HOUSING PRODUCTION

To date, since Dissolution, a total of 6,309 total residential units have been developed or are under contract, including 4,155 affordable units with 1,350 permanent supportive/homeless units and 194 transitional beds.

Of the 4,155 affordable units, 297 affordable units were developed through completion of existing enforceable obligations at time of dissolution, 1,263 affordable units were developed as a direct result of the City's three affordable housing NOFAs. 335 were developed through additional opportunities and partnerships that the City was able to facilitate on non-City owned lands, and 2,260 have been developed or are under contract utilizing Housing Successor Real property housing assets, and programs.

By 2028, it is anticipated that through future activities related to the use of former redevelopment housing assets including disposition and sale of the remaining real properties, issuance of f additional NOFAs, and other efforts, it is estimated that the City may facilitate the development of approximately 1,500 additional affordable housing units, with the total number of units ultimately developed dependent upon the specific projects, actual availability of funds, and a number of other factors