THE CITY OF SAN DIEGO

City of San Diego

SENATE BILL 341 ANNUAL REPORT

Low-Moderate Housing Fund and Housing Bond Funds

For the year ended June 30, 2015

REPORT ON THE LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR JUNE 30, 2015
PURSUANT TO
SECTION 34176.1(F)
OF THE
CALIFORNIA HEALTH AND SAFETY CODE

The following Report (Report) on the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to Section 34176.1(f) of the California Health and Safety Code (Code) and is dated March 31, 2016. This Report sets forth certain details of LMIHAF activities performed by the City as housing successor to the former Redevelopment Agency (Housing Successor) during Fiscal Year ending June 30, 2015 (Fiscal Year). The purpose of this Report is to provide the required annual report on the housing assets and activities of the Housing Successor under Code sections 34176 and 34176.1.

The following Report is based upon information contained within the City of San Diego's Comprehensive Annual Financial Report (Audit) for Fiscal Year ended June 30, 2015 as prepared by Macias Gini & O'Connell LLP (www.sandiego.gov/comptroller/reports) and conforms with and is organized into the following 13 sections pursuant to Code section 34176.1(f).

I. Reinstated Loan Proceeds: This section shows the amount received by the City of San Diego under reinstated loan agreements approved under Code section 34191.4(b)(3)(A).

II. Amount Deposited into LMIHAF: This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited pursuant to Code section 34191.4(b)(3)(B) or (C), and any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS), must be distinguished from other deposited amounts.

III. Ending Balance of LMIHAF: This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts held for items listed on the ROPS must be distinguished from the other amounts held in the LMIHAF.

IV. Description of Expenditures from LMIHAF: This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year by category. While not specifically required by Code section 34176.1(f), beginning in 2019, and every five years thereafter, this section will also provide the status of the Housing Successor's compliance with the expenditure limits set forth in Code section 34176.1(a)(3)(A). In addition, the Housing Successor may provide a status update in each annual report regarding its compliance with Code section 34176.1(a)(3)(A) in this Report for informational purposes.

V. Value of Real Property and Loans and Grants Receivable Held by Housing Successor: This section provides the statutory value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

VI. Description of Transfers to Other Housing Successors: This section describes any transfers from the LMIHAF to another housing successor made in previous Fiscal Years pursuant to Code section 34176.1(c)(2), including whether the funds are unencumbered and the status of any projects for which the transferred funds will be used.

VII. Project Descriptions: This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

VIII. Status of Compliance with Code section 33334.16: For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, this section provides a status update on compliance with Code section 33334.16. For interests in real property acquired on or after February 1, 2012, this section provides a status update on the project.

IX. Description of Outstanding Obligations Pursuant to Code section 33413: This section describes any outstanding inclusionary and replacement housing obligations pursuant to Code section 33413 that remained to transfer to the Housing Successor on February 1, 2012, the Housing Successor's progress in meeting those obligations, and the Housing Successor's plans to meet unmet obligations.

X. Status of Compliance with Code section 34176.1(a)(3)(B) and (C): This section provides the information required by Code section 34176.1(a)(3)(B) and (C), which only applies in 2019 and every five years thereafter, and only if is determined that the expenditure restrictions of Code section 34176.1(a)(3)(A) have not been met during the preceding five fiscal years.

XI. Senior Housing Test: This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Housing Successor, its former redevelopment agency and its host jurisdiction within the same time period.

XII. Excess Surplus Test: This section provides the amount of any excess surplus as defined in Code Section 34176.1(d), the amount of time that the Housing Successor has such excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

XIII. Inventory of Homeownership Units: This section provides an inventory of homeownership units assisted by the former redevelopment agency or the Housing Successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of affordable housing funds pursuant to subdivision (f) of Section 33334.3.

This Report shall be provided to the Housing Successor's governing body and included in the report required under California Government Code section 65400. This Report is available to the public on the City's website at www.sandiego.gov/planning. In addition, the former redevelopment agency's pre-

dissolution implementation plans are to be made available to the public on Civic San Diego website at www.civicssd.com/neighborhoods.

I. REINSTATED LOAN PROCEEDS

During the fiscal year, the City of San Diego received $0 for reinstated loan agreements.

II. AMOUNT DEPOSITED INTO LMIHAF

According to the Audit, a total of $9,988,969 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, a total of $0 was held for items listed on the ROPS, and a total of $0 was deposited pursuant to Code section 34191.4(b)(3)(B) and (C).

III. ENDING BALANCE OF LMIHAF

Pursuant to the Audit, at the close of the Fiscal Year, the ending cash balance in the LMIHAF was $28,709,185 of which $0 is held for items listed on the ROPS.

In the report for prior Fiscal Year 2014, the Housing Successor reported a fund balance of $277,138,189 in this section, which included all non-cash assets and receivables in addition to the LMIHAF cash balance. The cash balance in the LMIHAF at the close of Fiscal Year 2014 was $31,196,246 of which $12,352,993 was held for items on the ROPS.

IV. DESCRIPTION OF FISCAL YEAR 2015 EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category for the Fiscal Year:

	LMIHAF
Monitoring & Administration Expenditures	**$1,403,049**
Homeless Prevention and Rapid Rehousing Services Expenditures	**$0**
Housing Development Expenditures	
Low Income Units (80% to 60% of AMI)	**$83,788**
Very-Low Income Units (31% to 59% of AMI)	**$60,563**
Extremely-Low Income Units (30% or Less AMI)	**$12,620**
Total LMIHAF Expenditure in Fiscal Year	**$1,560,020**

In compliance with Code section 34176.1(f), the table above shows expenditures from the LMIHAF. In addition to these LMIHAF expenditures, the City expended $15,184,464 in Low/Mod Housing Bond proceeds in the Fiscal Year toward projects that will ultimately result in production of approximately 998 new affordable housing units.

V. VALUE OF REAL PROPERTY AND LOANS AND GRANTS RECEIVABLE HELD BY THE HOUSING SUCCESSOR

This section includes the statutory value of real property owned by the Housing Successor, the value of the Housing Successor's loans and grants receivable, and the sum of these two amounts.

Under Code section 34176.1(a)(1) and for purposes of this Report, "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer form approved by the Department of Finance pursuant to Code section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Code section 34181(f), and the purchase price of properties purchased by the Housing Successor.

	Book Value As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Successor Agency	
Capital Assets	**$31,848,413**
Land Held for Resale	**$32,211,647**
Total Real Property Owned by Housing Successor Agency	**$64,060,060**
Value of Loans and Grants Receivable	**$227,506,210**
Total Value of Real Property and Loans and Grants Receivable	**$291,566,270**

VI. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other housing successors pursuant to Code section 34176.1(c)(2) during the Fiscal Year.

VII. PROJECT DESCRIPTIONS

The following is a description of projects for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS as well as the status of the projects as of the end of the Fiscal Year:

		Funding Source		
Project Name	**Status of Project**	**Bonds**	**RPTTF**	**LMIHAF**
COMM 22 Family Housing	**2015, Final Project Payment to by paid in FY 2016**	**X**	**X**	
Yale Lofts	**Monthly Lease Payment Obligation**		**X**	
Connections Housing - Permanent Homeless Shelter	**Project Payment Paid in FY 2015**		**X**	
Ninth & Broadway	**2015, Final Project Payment to by paid in FY 2016**	**X**		
Alpha Square	**Under Construction**	**X**		
Atmosphere	**Under Construction**	**X**		
Hotel Churchill	**Under Construction**	**X**		**X**
Ouchi Courtyards	**Construction to begin December 2015**			**X**
Trolley Residential	**Construction began June 29, 2015**			**X**

Source: Civic San Diego

VIII. STATUS OF COMPLIANCE WITH CODE SECTION 33334.16

Code section 33334.16 requires that for real property acquired using affordable housing funds, the Housing Successor must initiate activities consistent with the development of the property for the purpose for which it was acquired within five years from the date the property was acquired, which five year period may be extended for an additional five years by a resolution adopted by the local agency's legislative body. Pursuant to Code section 34176.1(e), these time periods are now deemed to have commenced as of the date the Department of Finance approved the property as a housing asset, which occurred on January 4, 2013. These time periods apply only to interests in real property acquired by the former redevelopment agency before February 1, 2012.

The following provides a status update on the properties acquired using affordable housing funds prior to February 1, 2012:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
See Schedule A			

Source: Civic San Diego

The following provides a status update on the property or properties that have been acquired using affordable housing funds on or after February 1, 2012:

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
See Schedule B			

Source: Civic San Diego

IX. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: The former Redevelopment Agency did not have any replacement housing obligations at the time of dissolution.

Inclusionary / Production Housing: SB 341 does not specify whether inclusionary and production housing obligations should be reported by individual redevelopment project areas or aggregated without regard to project areas. If viewed in the aggregate, there are no outstanding inclusionary or production obligations. If this obligation is reported by project areas, as of February 1, 2012, the production obligation totals were 86 very low income and 79 low/moderate income units in Southeastern San Diego, College Community, Crossroads, Grantville and Naval Training Center project areas, collectively. In FY 2015, COMM22 was completed and contributed 9 very low income units toward the outstanding production obligation. Alpha Square and Atmosphere, both under construction in FY 2015, will contribute a total of 77 very low income units and 79 low/moderate income units toward the outstanding production obligation in FY 2016 and FY 2017, respectively. There will be no outstanding production obligation after the completion of the two projects.

The following provides a status of outstanding obligations pursuant to section 33413.

As of February 1, 2012	Completed FY 2015	Projects Under Construction In FY 2015	After Completion of Current Projects
See Schedule C			

Source: Civic San Diego

X. EXTREMELY LOW INCOME TEST

Code section 34176.1(a)(3)(A) requires that at least 30% of the funds remaining in the LMIHAF after the expenditures allowed pursuant to Code section 34176.1(a)(1) and (2) be expended for development of housing affordable to and occupied by households earning 30% or less of the area median income (AMI) (Extremely-Low Income Requirement). Under Code section 34176.1(a)(3)(B), if the Housing Successor fails to comply with this Extremely-Low Income Requirement in any five year report beginning with the five year report to be issued in 2019, then the Housing Successor must ensure that at least 50% of the remaining LMIHAF be expended in each fiscal year following the latest fiscal year following that five year report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income Requirement.

For informational purposes, the following provides the status of the Housing Successor's compliance with the Extremely Low Income Housing Requirement as of the second year ending June 30, 2015 (includes Fiscal Year 2014 and 2015):

Extremely-Low Income Test First 2 Years	LMIHAF
Extremely-Low Income Units	**$24,780**
Total Expenditures for Low Mod Units	**$188,971**
Extremely-Low Income Test	**13.1%**

Source: Comptroller and Civic San Diego

XI. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. Under Code section 34176.1(b), if this percentage exceeds 50%, then the Housing Successor cannot expend future funds to assist additional senior housing units until the City, in its capacity as the Housing Successor or as host jurisdiction assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units assisted by the Housing Successor, the former redevelopment agency and/or City within the time period described above.

The following provides the Housing Successor's Senior Housing Test for the 10 year period of July 1, 2005 to June 30, 2015:

Senior Housing Test	FY05/06 to FY 14/15
# of Assisted Senior Rental Units	**533**
# of Total Assisted Rental Units	**3123**
Senior Housing Percentage	**17%**

Source: Civic San Diego

XII. EXCESS SURPLUS TEST

Excess Surplus is defined in Code section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars ($1,000,000) or the aggregate amount deposited into the account during the Housing Successor's preceding four Fiscal Years, whichever is greater.

The first meaningful calculation for this total cannot be performed until the close of the fifth fiscal year. Once four years of deposits have been established, at the close of the fifth year (Fiscal Year 2016-2017), the Housing Successor will have to perform a true excess surplus calculation, comparing the unencumbered fund balance to the prior four years of deposits. As the general purpose of the excess surplus calculation is to ensure that money is expended for low-income housing purposes, the best action for the LMIHAF is to expeditiously encumber or expend money currently on deposit.

XIII. INVENTORY OF HOMEOWNERSHIP UNITS

Assembly Bill 1793 requires the annual reporting of any homeownership units assisted by the former redevelopment agency or the housing successor that are subject to restrictions, covenants, or an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Asset Fund.

The following provides a status of inventory of homeownership units.

Inventory of Homeownership Units
See Schedule D

Source: Civic San Diego

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City of San Diego Low-Moderate Income Housing Asset Fund
Item VIII. Status of Compliance with Section 33334.16 as of June 30, 2015

I. Real property acquired by the former redevelopment agency PRIOR TO February 1, 2012 with Low-Mod Funds

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
529 13th Street (13th & Market)	5/4/2007	1/4/2018	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2016/17.
533 13th Street (13th & Market)	3/13/2006	1/4/2018	Same as 529 13th Street
1343-1345 Market Street (13th & Market)	01/13/12	1/4/2018	The DDA for the Alpha Square project was executed in July 2013. Construction started in April 2014 and is scheduled to be completed late 2015.
1320 Broadway (13th & Broadway)	10/25/2006	1/4/2018	Proposed for a mixed-use project with a fire station and affordable housing. Funding for the fire station needs to be identified for RFP to be issued. No timeline set at this point. If funding for the fire station is not identified to meet the SB 341 deadline, the City Council could extend the deadline by up to five additional years, or may proceed with alternative plans.
1453-1457 4th Street (Atmosphere Project)	9/1/2010	1/4/2018	The DDA for the Atmosphere project was executed in August 2013. Currently under construction with anticipated completion in 2016.
1434 5th Avenue (Atmosphere Project)	3/2/2011	1/4/2018	Same as 1453-1457 4th Street
1492-1494 5th Avenue (Atmosphere Project)	3/15/2011	1/4/2018	Same as 1453-1457 4th Street
1038-1040 Euclid Avenue (Hilltop & Euclid)	8/26/2004	1/4/2018	Proposed for a mixed-use project with commercial and housing. Require minimum 25 affordable units. RFQ/P process initiated March 2015.
5012 1/2 Hilltop Drive (Hilltop & Euclid)	8/26/2004	1/4/2018	Same as 1038-1040 Euclid Avenue
932 Euclid Avenue (Hilltop & Euclid)	6/2/2005	1/4/2018	Same as 1038-1040 Euclid Avenue
922 Euclid Avenue (Hilltop & Euclid)	8/15/2005	1/4/2018	Same as 1038-1040 Euclid Avenue
1034 & 1036 Euclid Avenue (Hilltop & Euclid)	10/10/2005	1/4/2018	Same as 1038-1040 Euclid Avenue
942 Euclid Avenue (Hilltop & Euclid)	10/10/2005	1/4/2018	Same as 1038-1040 Euclid Avenue

City of San Diego Low-Moderate Income Housing Asset Fund
Item VIII. Status of Compliance with Section 33334.16 as of June 30, 2015

II. Real property acquired by the former redevelopment agency PRIOR TO February 1, 2012 with Non Low-Mod Funds

Address of Property	Date of Acqusition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
1301 & 1317 Market Street (13th & Market)	1999-2005 (a)	N/A	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2016/17.
1325-1333 Market Street	7/1/2005 (a)	N/A	Same as 1301 Market Street
901 Park Blvd (Popular Market)	2001 (a)	N/A	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2016/17.
1101 G Street (12th & Market / Park and Market)	2002-2003 (a)	N/A	RFP was issued in Dec 2013 for a market-rate mixed-use project with 15 percent affordable units. Developer selection/negotiations continue and it is anticipated that a DDA be executed in Fiscal Year 2016.
701 Market Street (Parking Lot on 7th & Market)	1999-2002 (a)	N/A	Leased to a parking operator. RFP was issued in Dec 2013 for a market-rate mixed-use project with 15 percent affordable units. Developer selection /negotiations continue.
6395 & 6397 Imperial Avenue	8/15/2008 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2016/17. However, due to the small and challenging site, the City is exploring other options to more efficiently leverage this site.
5003 Imperial Avenue (Ouchi Site)	2/12/2008 (a)	N/A	Proposed for a mixed–use development with a 100 percent affordable residential component. DDA approved May 2015. Construction to begin January 2016.
NW Corner of 40th & Alpha	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2016.
3947-53 & 3961 Z Street (40th & Alpha)	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2016.

(a) These properties acquired prior to February 1, 2012 are not subject to the extended five year deadline because they were acquired with funds other than Low-Moderate funds.

City of San Diego Low-Moderate Income Housing Asset Fund
Item VIII. Status of Compliance with Section 33334.16 as of June 30, 2015

Real Property acquired AFTER February 1, 2012

Address of Property	Date of Acqusition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
528-542 14th Street (13th & Market)	6/19/2012	N/A	The DDA for the Alpha Square project was executed in July 2013. Construction started in April 2014 and is scheduled to be completed late 2015.
808 West Cedar (Old Monarch School Site)	5/2/2012	N/A	Proposed for 100 percent affordable housing with active ground-floor commercial space. A short-term lease for an educational use has been executed (through August 2017). RFP is anticipated in Fiscal Year 2016/17 and a DDA in Fiscal Year 2017.

City of San Diego Low-Moderate Income Housing Asset Fund
Item IX. Description of Outstanding Obligation Pursuant to Section 33413

	As of February 1, 2012		Completed FY 2015		Projects Under Construction In FY 2015				After Completion of Current Projects	
	Deficit		Comm22		Alpha Square		Atmosphere		Deficit	
Project Area	VL	Low/Mod	VL	Low/Mod	VL	Low/Mod	VL	Low/Mod	VL	Low/Mod
SEDC	12		9		3					
College Community	25	21			25			21		
Crossroads	12						12			
Grantville	5	7			5			7		
Naval Training Center	32	51			26		6	51		
Total	86	79	9	0	59	0	18	79	0	0

City of San Diego Low-Moderate Income Housing Asset Fund
XIII. Inventory of Homewonership Untis

Inventory of Homeownership Units	
(A) Number of Units:	
Number of Homeownership units as of 6/30/2015:	
Affordability Covenants:	**77**
First Time Homebuyer Programs:	**110 units/active loans**
Home Enhancement Loan Program:	**340 units/active loans**
(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.	
From 2/1/2012 to 6/30/15:	
Affordability Covenants:	**No units lost**
First Time Homebuyer Programs:	**7 units lost to foreclosure; 6 units sold/paid off**
Home Enhancement Loan Program:	**1 unit lost to foreclosure; 95 loans paid off or released**
(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.	
Funds Returned: $ $258,193 in repayments from the First Time Homebuyer loan programs.	
(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.	
Yes: San Diego Housing Commission	