



SENATE BILL 341 ANNUAL REPORT

Low-Moderate Income Housing Asset Fund

For the year ended June 30, 2016

**REPORT ON THE LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR JUNE 30, 2016  
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, 2017. 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, 2016 (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, 2016 as prepared by Macias Gini & O'Connell LLP ([www.sandiego.gov/comptroller/reports](http://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 it 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/genplan/documents](http://www.sandiego.gov/planning/genplan/documents). In addition, the former redevelopment agency's pre-dissolution implementation plans are to be made available to the public on Civic San Diego's website at <http://civicsd.com/archives/>.

#### **I. REINSTATED LOAN PROCEEDS**

During the fiscal year, the City of San Diego received \$500,000 for reinstated loan agreements.

#### **II. AMOUNT DEPOSITED INTO LMIHAF**

According to the Audit, a total of \$21,075,082 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, a total of \$0 was deposited pursuant to Code section 34191.4(b)(3)(B), and a total of \$100,000 was deposited pursuant to Code section 34191.4(b)(3)(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 \$41,377,740 of which \$0 is held for items listed on the ROPS.

**IV. DESCRIPTION OF FISCAL YEAR 2016 EXPENDITURES FROM LMIHAF**

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

	<b>LMIHAF</b>
<b>Monitoring &amp; Administration Expenditures</b>	\$ 1,053,344
<b>Homeless Prevention and Rapid Rehousing Services Expenditures</b>	-
<b>Housing Development Expenditures</b>	
<b>Low Income Units (80% to 60% of area median income)</b>	-
<b>Very-Low Income Units (31% to 59% of area median income)</b>	2,232,389
<b>Extremely-Low Income Units (30% or less area median income)</b>	1,530,228
<b>Total LMIHAF Expenditure in Fiscal Year</b>	<b>4,815,961</b>

Source: Comptroller and Civic San Diego

In compliance with Code section 34176.1(f), the table above shows expenditures from the LMIHAF.

**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.

	<b>Book Value As of End of Fiscal Year</b>
<b>Statutory Value of Real Property Owned by Housing Successor Agency</b>	
<b>Capital Assets</b>	\$ 28,222,721
<b>Land Held for Resale</b>	32,211,647
<b>Total Real Property Owned by Housing Successor Agency</b>	60,434,368
<b>Value of Loans and Grants Receivable</b>	241,939,663
<b>Total Value of Real Property and Loans and Grants Receivable</b>	<b>302,374,031</b>

**VI. DESCRIPTION OF TRANSFERS TO OTHER HOUSING SUCCESSORS**

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:

Project Name	Description	Status of Project	Funding Source	
			Bonds	RPTTF
COMM 22 Family Housing	130 units - Affordable Rental Housing Project	Project Completed and Final Payment issued in FY 2016	X	X
Yale Lofts	14 units - Affordable Rental Housing Project	Monthly Lease Obligation Payment		X
Ninth & Broadway	250 units - Affordable Rental Housing Project	Project Completed and Final Payment issued in FY 2016	X	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:

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

Source: Civic San Diego

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

<b>Address of Property</b>	<b>Date of Acquisition</b>	<b>Deadline to Initiate Development Activity</b>	<b>Status of Housing Successor Activity</b>
<b>See Schedule B</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. The following provides a status of outstanding obligations pursuant to section 33413.

<b>As of February 1, 2012</b>	<b>Completed FY 2015</b>	<b>Completed FY 2016</b>	<b>Projects Under Construction In FY 2016</b>	<b>After Completion of Current Projects</b>
<b>See Schedule C</b>				

Source: Civic San Diego

**X. STATUS OF COMPLIANCE WITH CODE SECTION 34176.1(a)(3)(B) AND (C)**

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 expended in each fiscal year following the latest fiscal year following that five year report are expended for the development of rental housing affordable to households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income Requirement in an annual report.

For informational purposes, the following provides the status of the Housing Successor’s compliance with the Extremely Low Income Housing Requirement as of the third year ending June 30, 2016 (includes Fiscal Year 2014, 2015 and 2016):

<b>Extremely-Low Income Test</b>	
<b>First 3 Year Test</b>	<b>LMIHAF</b>
<b>Extremely-Low Income Units</b>	<b>\$ 1,555,008</b>
<b>Total Expenditures for Low Mod Units</b>	<b>\$ 3,951,588</b>
<b>Extremely-Low Income Test</b>	<b>39.4%</b>

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, 2006 to June 30, 2016:

<b>Senior Housing Test</b>	<b>FY 06/07 to FY 15/16</b>
<b># of Assisted Senior Rental Units</b>	<b>443</b>
<b># of Total Assisted Rental Units</b>	<b>3244</b>
<b>Senior Housing Percentage</b>	<b>13.7%</b>

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 Housing Successor's 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 Fund pursuant to Code section 33334.3(f).

The following provides a status of inventory of homeownership units.

<b>Inventory of Homeownership Units</b>
<b>See Schedule D</b>

Source: Civic San Diego

City of San Diego Low-Moderate Housing Fund  
Section VIII. Status of Compliance with Section 33334.16 as of June 30, 2016

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 2017/18
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 Alpha Square affordable housing development completed construction in March 2016 and is fully occupied.
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 2017.
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. Executed Exclusive Negotiation Agreement in October 2016 for development of an affordable housing, mixed use, mixed income development. DDA anticipated in FY 2017/18
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

**SCHEDULE A**

**City of San Diego Low-Moderate Housing Fund**  
**Section VIII. Status of Compliance with Section 33334.16 as of June 30, 2016**

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

<b>Address of Property</b>	<b>Date of Acquisition</b>	<b>Deadline to Initiate Development Activity</b>	<b>Status of Housing Successor Activity</b>
<b>1301 &amp; 1317 Market Street (13th &amp; Market)</b>	1999-2005 (a)	N/A	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2016/17.
<b>1325-1333 Market Street</b>	7/1/2005 (a)	N/A	Same as 1301 Market Street
<b>901 Park Blvd (Popular Market)</b>	2001 (a)	N/A	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2017/18
<b>1101 G Street (12th &amp; Market / Park and Market)</b>	2002-2003 (a)	N/A	RFP was issued in Dec 2013 for a market-rate mixed-use project with 15% affordable units. DDA executed 12/2016
<b>701 Market Street (Parking Lot on 7th &amp; Market)</b>	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% affordable units. DDA Executed 11/2016
<b>6395 &amp; 6397 Imperial Avenue</b>	8/15/2008 (a)	N/A	Proposed for 100% affordable housing. RFP is anticipated in Fiscal Year 2017/18. However, due to the small and challenging site, the City is exploring other options to more efficiently leverage this site.
<b>5003 Imperial Avenue (Ouchi Site)</b>	2/12/2008 (a)	N/A	Proposed for a mixed-use development with a 100% affordable residential component. DDA approved May 2015. Currently under construction with anticipated completion in FY 2017.
<b>NW Corner of 40th &amp; Alpha</b>	1999-2000 (a)	N/A	Proposed for 100% affordable housing. RFP is anticipated in Fiscal Year 2017.
<b>3947-53 &amp; 3961 Z Street (40th &amp; Alpha)</b>	1999-2000 (a)	N/A	Proposed for 100% affordable housing. RFP is anticipated in Fiscal Year 2017.

(a) These properties acquired prior to February 1, 2012 are not subject to the time limits of Code section 33334.16 because they were acquired with funds other than Low-Moderate funds.

**City of San Diego Low-Moderate Housing Fund**  
**Section VIII. Status of Compliance with Section 33334.16 as of June 30, 2016**

**Real Property acquired AFTER February 1, 2012**

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
528-542 14th Street (13th & Market)	6/19/2012	N/A	The Alpha Square affordable housing development completed construction in March 2016 and is fully occupied.
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 2017/18 and a DDA in Fiscal Year 2018.

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

Project Area	As of February 1, 2012		Completed FY 2015		Completed FY 2016		Projects Under Construction In FY 2016		After Completion of Current Projects	
	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		
<b>Total</b>	<b>86</b>	<b>79</b>	<b>9</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>18</b>	<b>79</b>	<b>0</b>	<b>0</b>

**City of San Diego Low-Moderate Income Housing Asset Fund**  
**Section XIII. Inventory of Homeownership Units**

<b>Inventory of Homeownership Units</b>	
<b>(A) Number of Units:</b>	
Number of Homeownership units as of 6/30/2016:	
Affordability Covenants:	77
First Time Homebuyer Programs:	109 units/active loans
Home Enhancement Loan Program:	357 units/active loans
<b>(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.</b>	
From 2/1/2012 to 6/30/16:	
Affordability Covenants:	No units lost
First Time Homebuyer Programs:	7 units lost to foreclosure; 7 units sold/paid off
Home Enhancement Loan Program:	1 units lost to foreclosure; 125 loans paid off or released
<b>(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.</b>	
Funds Returned: \$297,643 in repayments from the First Time Homebuyer loan programs.	
<b>(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.</b>	
Yes: San Diego Housing Commission	