

**SAN DIEGO HOUSING TRUST FUND**

**MODEL PROGRAMS**

**Fiscal Year 2004  
(July 1, 2003 - June 30, 2004)**

# SAN DIEGO HOUSING TRUST FUND

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## RENTAL HOUSING DEVELOPMENT PROGRAMS

### **New Rental Housing Production Program**

Scope: A below-market interest rate, deferred payment junior mortgage and construction loan program to increase the stock of lower income rental units in non-impacted neighborhoods. Loans to be made to developments wherein at least 20 percent of the units are affordable to households at or below 80 percent of median income. Proposals with rents affordable to households with incomes at or below 50 percent of median family income will receive a preference. Proposals accepted from impacted areas only with demonstrated community support.

Target Population: Very low- and low-income households who will reside in communities that do not have their fair share of affordable housing.

Loan Terms: Term to maturity is 55 years. Repayment of principal and interest is amortized or due and payable as a balloon payment or as residual receipts, due and payable at maturity but may be forgiven upon extension of affordability requirements. Loan may be originated as a construction loan and converted into long term financing.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

Leveraging: Preference given to projects receiving subsidy from other funding sources (such as the Federal Home Loan Bank Board's Affordable Housing Program) or achieving affordability levels with lowest Housing Trust Fund investment.

Request for Proposals (RFPs): Funds for program to be made available through RFPs or Notice of Funding Availability (NOFA). RFP/NOFA requires applicant to stipulate the rent schedule for the project.

## **Existing Rental Housing Program: With and Without Rehabilitation**

Scope: An acquisition/rehabilitation and refinancing program providing below-market-rate, deferred payment junior mortgages to increase the stock of lower income rental units in non-impacted neighborhoods. Loans are made to owners of existing developments in return for (at least) 20 percent of the units being made affordable to households at or below 80 percent of median income. Proposals with rents affordable to households with incomes at or below 50 percent of median family income will receive a preference. Proposals accepted from impacted areas only with demonstrated community support. Proposals may not result in significant displacement of moderate-income households.

Target Population: Very low- and low-income households who, by paying considerably more than 30 percent of income in rent, reside in communities that do not meet their fair share of affordable housing.

Loan Terms: Term to maturity is 55 years. Repayment of principal and interest is amortized or due and payable as a balloon payment or as residual receipts, due and payable at maturity but may be forgiven upon extension of affordability requirements. Loan may be originated as a rehabilitation loan and converted into long term financing.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

Leveraging: Preference given to projects receiving subsidy from other funding sources or achieving affordability levels with lowest Housing Trust Fund investment.

Request for Proposals (RFPs): Funds for program to be made available through RFPs or Notice of Funding Availability (NOFA). RFP/NOFA requires applicant to stipulate the rent schedule for the project.

## **Special Purpose Rental Housing**

Scope: A loan and grant program for nonprofit developers of transitional housing and developers of permanent housing provided in conjunction with appropriate supportive services designed to maximize the ability of persons with disabilities to live independently. Loans and grants may be used for the development acquisition or long-term leasing of housing facilities as well as improvements to existing facilities.

Target Population: Very low and low-income populations identified as needing permanent housing in a service-enhanced environment; selection of populations to be generally compatible with requirements of federal funding sources.

Loan Terms: Term to maturity is 55 years. Payment of loan principal and interest is due and payable as a residual receipts loan or as a balloon payment at maturity but may be forgiven upon extension of affordability requirements. Loan may be originated as a rehabilitation loan and converted into long term financing.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

Grant Terms: Subject to revocation/repayment for nonperformance.

Leveraging: Preference given to projects receiving subsidy from other funding sources.

Request for Proposals (RFPs) and Notice of Funding Availability (NOFA): Funds for program to be made available through RFPs or NOFA.

## **HOMEOWNERSHIP PROGRAMS**

### **Shared Equity Loan Program**

Scope: A second trust deed loan program for median income and low-income first-time homebuyers that bridges the gap between what households earning 100 percent of median income or less can afford and the actual cost of acquiring a home. (Second trust deed not to exceed the lesser of 25 percent of purchase price or \$70,184.) Program may be limited to federally targeted census tracts (census tracts wherein 70 percent of population earns less than 80 percent of median income).

Target Population: Households earning less than 100 percent of median income that meet usual bank underwriting criteria for first mortgages.

Loan Terms: The loans are zero percent interest and require no monthly payments of principal. The loan term is 30 years; however, if the property is sold within the first 15 years, the equity in the property is shared with the Housing Commission. Pre-approval from institutional lender required.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

Request for Proposals (RFPs): Program sponsors to be selected through an RFP. Portion of funds may be allocated directly to the Housing Commission.

### **Downpayment Assistance**

Scope: A revocable grant program for first-time homebuyers that pays up to four percent of the purchase price (not to exceed \$7,500) towards down payment and closing costs). The four percent assistance will be comprised of two percent for the down payment with the balance used for closing costs.

Target Population: Households earning less than 100 percent of median income that meet usual bank underwriting criteria for first mortgages.

Grant Terms: Repayment is required if the home is sold or transferred within the first six years of ownership. Program is used with conventional loans.

## **Moving On**

Scope: A program to provide homebuyer education and financial counseling, savings accounts, and other assistance to potential homebuyers (including access to current Housing Commission programs).

Target Population: Households residing in properties owned by nonprofit developers.

## **First-Time Homebuyers: Acquisition with Rehabilitation**

Scope: A silent second mortgage program for first-time homebuyers purchasing homes in need of rehabilitation or modernization. Second mortgage bridges the gap between what households earning less than 100 percent of median income can afford and the actual cost of acquiring and rehabilitating a home. All or part of the second mortgage is funded into a rehabilitation fund control. Funds may not be released from the fund control without authorization from the agency responsible for completion of rehabilitation (Nonprofit or Housing Commission).

Target Population: Households earning less than 100 percent of median income but that meet other usual bank underwriting criteria for first mortgages.

Loan Terms: Payment of principal and interest is deferred and due and payable at resale or maturity. Pre-approval from institutional lender required.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

Request for Proposals (RFPs): Program sponsors to be selected through an RFP. A portion of the funds may be allocated directly to the Housing Commission.

## **Limited Equity Cooperatives**

Scope: An acquisition/new construction program for nonprofit corporations wishing to sponsor the creation of limited equity cooperatives and for limited equity cooperatives positioned to acquire or construct cooperative housing.

Target Population: Households earning less than 80 percent of median income; a minimum of 20 percent of the units must be affordable to households earning less than 50 percent of median income as adjusted by household size. All initial and subsequent members of cooperatives developed with assistance from the Housing Trust Fund must be first-time homebuyers as defined in the Housing Trust Fund Ordinance.

Loan Terms: Term to maturity is 55 years. Compliance with all applicable provisions of state law regarding limited equity housing cooperatives including Section 1.25 of California Condominium and Planned Development Practice as amended, Health and Safety Code Section 33007.5 and Business and Professions Code Section 1103.4. Resale restrictions that maintain affordability for subsequent buyers are required.

Loan Underwriting: As required by the policies of the San Diego Housing Commission.

Leveraging: Preference given to projects receiving subsidy from other funding sources.

Request for Proposals (RFPs): Funds for program to be made available through RFPs. RFP requires applicant to stipulate the number of units for each tier and the level of subsidy. Applications may also be submitted under the Targets of Opportunity Program.



## **Resident Ownership: Mobile Home Parks**

Scope: A "junior mortgage" program which bridges the gap between what a lower income mobile home coach owner can afford using normal bank underwriting criteria and the actual cost of acquiring the mobile home pad;

or

A "land trust" program that bridges the gap between what mobile home coach owners can collectively afford and the actual cost of acquiring the mobile home park. A contingency of Housing Trust Fund financing is that land acquired with Housing Trust Fund assistance would be established as a trust for low-income coach owners or low-income housing.

Target Population: Very low- and low-income residents of mobile home parks wherein over 66 percent of all park residents have expressed an interest in resident ownership.

Loan Terms: Term to maturity is the earlier of 55 years or sale, conveyance, alienation or transfer of the property. Payment of principal and contingent interest is due and payable as a balloon payment at the end of the term or according to an amortization schedule. Loan funding depends on financial feasibility.

Request for Proposals (RFP): Funds for conversion to resident ownership will be distributed through RFPs that specify a deadline for submission of proposals. Applications will be rated and ranked. Applications may also be submitted under the Targets of Opportunity Program.

## REHABILITATION PROGRAMS

### **Owner-Occupied Rehabilitation Program**

Scope: Below-market interest rate (BMIR) rehabilitation loans for lower income homeowners (one to four units, owner-occupied) throughout San Diego.

Current loan products include:

- A three percent amortizing (fifteen year) loan; or
- A partially deferred three percent amortizing (fifteen year) loan; and
- No-interest, fully deferred loans (maximum amount \$10,000) available to eradicate health and safety hazards for very low income owner-occupied (<60% AMI), one-unit properties.
- Lead paint reduction no-interest, fully deferred loans at \$5,000 per unit up to \$15,000 per multifamily property.

Target Population: Low- and very low-income borrowers throughout the City of San Diego.

Loan Terms and Underwriting: A maximum loan of \$35,000 for single unit properties and \$50,000 for 2-4 unit properties is established. At a minimum, terms should meet Housing Commission Rehabilitation Program standards; minor modifications to terms may be approved by a loan committee appointed by the Housing Commission Board.

Notice of Funding Availability (NOFA): Applications for rehabilitation loans to be accepted by program sponsor on an ongoing basis after an initial NOFA.

### **Nonprofit Corporations: Owner-Occupied Rehabilitation**

Scope: A flexible program developed to allow nonprofit corporations to operate rehabilitation loan programs. Program provides funding for rehabilitation, administrative support and technical assistance. Levels of funding within eligible activities are established by proposals submitted by nonprofit corporations. Proposals must leverage other funding sources.

Target Population: Very low and low-income homeowners either residing in substandard housing or desiring to acquire and rehabilitate substandard housing; nonprofit and community development corporations.

Request for Proposals (RFPs): Funds for program to be made available through RFPs. RFP to require that applicants indicate the type and level of assistance requested, the structure of proposed program, and how assistance will be utilized in a timely manner.

### **Mobile Home Rehabilitation Loan Program**

Scope: A partially deferred no-interest rehabilitation loan program to allow low-income mobile home coach owners to reside in safe, sanitary, and decent housing.

Target Population: Owner-occupants of older mobile home coaches at or below 60 percent of median income.

Loan Terms: Mobile home owners are offered interest-free partially deferred loans up to a maximum of \$12,000 for rehabilitation or up to \$15,000 for purchase and rehabilitation of a replacement mobile home. Loans are due on sale, transfer of title, or fifteen years after the loan date. Minimum monthly payment is \$25.

Notice of Funding Availability (NOFA): Applications for mobile home rehabilitation loans to be accepted on an ongoing basis after an initial NOFA.

### **Mobile Home Repair Grant Program**

Scope: A small repair grant program to allow very low-income households permanently residing in mobile homes to address “health and safety” issues.

Target Population: Very low-income (<60% AMI) owner-occupants of mobile homes within the City of San Diego.

Grant Terms: A maximum of \$3,500 except in a designated Distressed Park (\$5,000 maximum).

Notice of Funding Availability (NOFA): Applications for mobile home repair grants to be accepted on an ongoing basis after an initial NOFA until all funds are exhausted.

## **Accessibility Grant for Tenants with Disabilities**

Scope: A small grant program to rental tenants with disabilities to allow modifications or repairs to their rental unit to make it more accessible and improve their quality of living.

Target Population: Very low-income (<50% AMI) tenants with disabilities living in rental units within the City of San Diego.

Grant Terms: A one-time only non-repayable grant to a maximum of \$1,000 toward costs of material and labor for accessibility modifications.

The ACCESS Center of San Diego refers tenant applicants.

## **TRANSITIONAL HOUSING OPERATIONS PROGRAM**

Scope: A grant and loan program for nonprofit operators of transitional housing. Grants and loans may be used for the short-term leasing or operation of transitional housing facilities as well as improvements to existing leased facilities. No more than 25 percent of grant funds may be used for administration and support services.

Target Population: Very low-income homeless families and individuals who, through temporary residency in a service-enhanced housing environment, are expected to be able to move into permanent housing.

Grant Terms: A maximum grant of \$15 per bed/night.

Request for Proposals (RFPs) and Notice of Funding Availability (NOFA): Funds for program to be made available through RFPs or NOFA.

## NONPROFIT CAPACITY BUILDING PROGRAMS

### Project-Based Financial Assistance

Predevelopment Financial Assistance includes the following:

1. Early Assistance Loans to Nonprofit Developers: A maximum of \$10,000 is available for preliminary feasibility activities such as appraisal, site control, and Phase I environmental studies. Early Assistance loans can be considered for forgiveness if the project does not proceed. The total of all outstanding Early Assistance Loans cannot exceed \$50,000 at any time.
2. Project Support Grants: When the Early Assistance due diligence has been completed, funds may be available for paying predevelopment costs (staff and consultant or administrative expenses) for an identified project through a Project Support Grant. Minimum grant is \$10,000; grant requests of \$15,000 or less will be approved by the Loan Committee; grant requests over \$15,000 will be approved by the Housing Commission.
3. Predevelopment Loans: If approved, the Early Assistance Loan can be incorporated into a Predevelopment Loan to include additional predevelopment expenses, i.e., architectural, engineering, consultant and legal fees, site preparation, environmental assessments, purchase options, long-term escrow earnest money and project-specific professional housing development staff time. A Predevelopment Loan without Early Assistance may be appropriate in some cases. Typically, the Predevelopment Loan is repaid out of a project's permanent financing.

Target Population: Nonprofit corporations and limited equity cooperatives whose express purpose is the development, acquisition, or rehabilitation of housing that will be predominately occupied by very low- and low-income households.

Loan Underwriting: No specified underwriting criteria. Proposals to be considered on an ongoing basis. Generally, applicants must: 1) have been in existence for two years; 2) evidence multi-year organizational ability or provide evidence that principals have suitable experience to complete the project; 3) develop a feasible work program which identifies how the organization will reach its objective; 4) meet the Housing Commission Minimum Organization Standards for Nonprofit Loan Applicants; and 5) and be expected to complete the project.

Notice of Funding Availability (NOFA): Applications for predevelopment loans to be accepted on an ongoing basis after an initial NOFA.

## **Emergency Loan Fund Program**

The target populations and loan underwriting conditions of Project-Based Financial Assistance apply.

In addition, the following eligibility restrictions apply: 1) applicant has a demonstrated pipeline of development projects located in the City; 2) applicant has not received an emergency loan from the Trust Fund within the past three years, or has repaid such loan(s) in full; 3) applicant's need for emergency loan is based on a cash flow problem where funds anticipated to repay the loan can be identified.

Borrowers are required to demonstrate ability to repay.

## **Nonprofit Technical Assistance Program**

Scope: A technical assistance program that will assist nonprofit corporations and limited equity cooperatives in developing affordable housing. Program to provide "hands on" technical assistance in such areas as concept development, site assessment and acquisition, feasibility analysis, specification writing, bid packaging and review, permit procedures, construction oversight, grants and application preparation, and record keeping required by funding sources.

Target Population: Nonprofit corporations and limited equity cooperatives with limited housing experience.

Grant Terms: Grant is for the delivery of technical assistance services to nonprofit housing developers. Scope of work will be articulated in contract documents.

Request for Proposals (RFPs): Funds to be made available through RFP or Housing Commission contract policy.

## **Nonprofit Support Program**

Scope: A multi-year operating support program for nonprofit corporations attempting to acquire, rehabilitate or develop affordable housing for low-income households. Program provides annual grants for administrative costs, including compensation and proportional overhead of staff directly assigned to expanding housing opportunities such as housing construction, acquisition, rehabilitation, transitional housing development, or shared housing programs. Program is intended to build the capacity of nonprofit corporations to both develop affordable housing and identify administrative support for this purpose.

Target Population: Nonprofit corporations and community based organizations, the purposes of which include the provision of affordable housing to very low- and low-income households.

Selection Criteria: As funding permits, a Notice of Funding Availability (NOFA) will be issued inviting applications. Applicants will be selected based upon criteria which includes the following:

- the ability of the applicant's personnel to perform the administrative, managerial and operational functions necessary to develop and support a housing program;
- the applicant's past experience and success in developing and operating non-housing programs;
- the applicant's work program which includes specific management and fund development and production activities, objectives, and projected accomplishments.



## **MISCELLANEOUS PROGRAMS**

### **TARGETS OF OPPORTUNITY PROGRAM**

Scope: A program developed to allow the Board the flexibility to take advantage of opportunities for affordable housing that cannot be funded through other Housing Trust Fund programs.

Target Population: Very low- and low-income households that will reside in housing made available through this program.

Notice of Funding Availability (NOFA): Project selection for this program will be on a case-by-case basis subsequent to an initial NOFA advising that applications will be accepted at any time for projects that do not qualify under other Housing Trust Fund programs or that have time constraints that preclude following the RFP calendar.

Loan Terms: For acquisition, term to maturity is 55 years. Payment of principal and interest due to be determined.

Loan Underwriting: Subject to loan policies of the San Diego Housing Commission unless specific exception as authorized by the Housing Commission.

### **PROJECT-BASED RENTAL ASSISTANCE PROGRAM**

Scope: A small rental assistance program for working households in non-impacted communities. The program utilizes Housing Trust Fund earnings and interest to lease units in existing buildings for an intermediate term. Units are then subleased to working households whose income is anticipated to increase as a result of job training. Enrollment in job training program to the point where the household may assume the master lease.

Target Population: Households earning between 50 percent and 80 percent of median income with an expectation of income increases. Applicants to be drawn from a pool of applicants established by the Housing Commission of households that do not meet the federal criteria of paying more than 50 percent of income in rent.

Notice of Funding Availability (NOFA): Proposals to be received from owners of rental units on an ongoing basis after an initial NOFA.