



THE CITY OF SAN DIEGO

City of San Diego

SENATE BILL 341 ANNUAL REPORT

Low-Moderate Housing Fund

For the year ended June 30, 2014

**REPORT ON THE LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR JUNE 30, 2014
PURSUANT TO
SECTION 34176.1(F)
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
FOR THE
CITY OF SAN DIEGO'S LOW-MODERATE INCOME HOUSING FUND**

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, 2015. 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, 2014 (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 Part 1.85, division 24 of the Code, in particular Code sections 34176 and 34176.1 (Dissolution Law).

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, 2014 as prepared by Macias Gini & O'Connell LLP (www.sandiego.gov/comptroller/reports) and conforms with and is organized into the following 12 sections pursuant to Code section 34176.1(f) of the Dissolution Law:

- I. Amount Deposited into LMIHAF: This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposited for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
- II. 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.
- III. 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.
- IV. 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.

- V. 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. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.
- VI. 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.
- VII. 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.
- VIII. 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.
- IX. 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.
- X. 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.
- XI. 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.
- XII. 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. A subsequent change was made to Code Section 34176.1(f) when Assembly Bill 1793 added this requirement effective January 1, 2015. The inventory of homeownership units and additional

required disclosures will be added to next year’s report, as additional time and resources are needed to comply with this requirement.

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.civicsd.com/neighborhoods.

I. AMOUNT DEPOSITED INTO LMIHAF

According to the Audit, a total of \$13,762,309 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.

II. ENDING BALANCE OF LMIHAF

Pursuant to the Audit, at the close of the Fiscal Year, the ending fund balance in the LMIHAF was \$277,138,189, of which \$12,352,993 is held for items listed on the ROPS.

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF and Successor Agency’s low-moderate bond proceeds used for 34176.1(a)(3)(A) projects by category:

	LMIHAF	Low Mod Bonds	Total
Monitoring & Administration Expenditures	\$927,642	\$0	\$927,642
Homeless Prevention and Rapid Rehousing Services Expenditures	0	0	0
Housing Development Expenditures			
Low Income Units (80% to 60% of AMI)	0	645,750	645,750
Very-Low Income Units (31% to 59% of AMI)	19,840	2,131,302	2,151,142
Extremely-Low Income Units (30% or Less AMI)	12,160	1,103,274	1,115,434
Total LMIHAF & Low Mod Bond Proceed Expenditure in Fiscal Year	\$959,642	\$3,880,326	\$4,839,968

For housing development expenditures pursuant to 34176.1(a)(3)(A), the statute narrows the permissible expenditures on low income units to households earning 80% area median income (AMI) or lower.

IV. 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 the Dissolution Law 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	\$214,560,440
Total Value of Real Property and Loans and Grants Receivable	\$278,620,500

V. 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.

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VI. 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 FY14:

Project Name	Status of Project
Housing Bond Debt Service (ROPS 8, 9, 10, 11 and 13)	Last Housing Successor Payment in FY15.
COMM22 Family Housing	Under Construction
Yale Lofts	Monthly Lease Payment Obligations to Yale Loft.
Connection Housing - Permanent Homeless Shelter	Completed in FY14, Final Project Payment Paid in FY15.
9th and Broadway	Under Construction

Source: Civic San Diego

VII. STATUS OF COMPLIANCE WITH CODE SECTION 33334.16

Code section 33334.16 requires that real property acquired using affordable housing funds must initiate activities consistent with the development of the property for the purpose for which it was acquired within five years from the date it first acquired the property, 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 interest 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 LMIHAF 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

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the former redevelopment agency various Implementation Plans, ranging from 2006-2011 to 2010-2015, no replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency’s Implementation Plans are posted on the Civic San Diego’s website www.Civicsd.com.

Inclusionary / Production Housing: Under the current dissolution laws, it is unclear if the inclusionary / production housing obligation should be reported by individual project areas or to aggregate the LMIHAF without regard to project areas. The provisions of AB 26 no longer segregate the LMIHAF by project boundaries. The concept of tax increment has been abolished as of February 1, 2012 and is now simply regarded as property tax revenue. If one examines the LMIHAF’s production accomplishments as a whole, there are no inclusionary / production obligations transferred to the Housing Successor.

If this obligation is reported by project areas, the inclusionary / production housing obligations totals are 86 very low income and 79 low and moderate income units in Southeastern San Diego, College Community, Crossroads, Grantville and Naval Training Center project areas. Current affordable housing projects in development include COMM22, Alpha Square, and Atmosphere. These projects have been approved by City resolution and are or will soon be under construction. These projects, when completed, will generate 61 very low and 104 low and moderate inclusionary / production housing units attributable to these project areas. The projected remaining obligation will be 25 very low income inclusionary / production affordable housing obligations for the College Community project area.

Information for the former redevelopment agency various Implementation Plans ranging from 2006-2011 to 2010-2015 are posted on the Civic San Diego’s website www.Civicsd.com.

Source: Civic San Diego

IX. 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 first year ending June 30, 2014:

Extremely-Low Income Test	Low Mod		
Year 1 of 5 Year Test	LMIHAF	Bonds	Total
LMIHAF Spent on Extremely-Low Income Units	\$12,160	\$1,103,274	\$1,115,434
Total LMIHAF Expenditures for Low Mod Units	\$32,000	\$3,880,326	\$3,912,326
Extremely-Low Income Test			28.5%

Source: Comptroller and Civic San Diego

X. 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.

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The following provides the Housing Successor's Senior Housing Test for the 10 year period of July 1, 2004 to June 30, 2014:

Senior Housing Test	FY04/05 to FY 13/14
# of Assisted Senior Rental Units	463
# of Total Assisted Rental Units	2915
Senior Housing Percentage	16%

Source: Civic San Diego

XI. 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 purposes, the best action for the LMIHAF is to use the next three years to encumber or expend money currently on deposit.

City of San Diego Low-Moderate Housing Fund
 VII. Status of Compliance with Section 33334.16 as of June 30, 2014

LAND HELD FOR RESALE acquired before February 1, 2012

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	Considering high concentration of affordable housing within the block and in the surrounding area, consider selling the site without affordable housing requirement, with the proceeds used to support the development of affordable housing.
533 13th Street (13th & Market)	3/13/2006	1/4/2018	
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 in October 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, such as sale of the property for a market-rate development with affordable housing component or a 100 percent affordable housing development.
1453-1457 4th Street (Atmosphere Project)	9/1/2010	1/4/2018	The DDA for the Atmosphere project was executed in August 2013. Currently in predevelopment stage. Anticipated to start construction in 2015.
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. RFP is anticipated in Fiscal Year 2015 - 2016.
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
 VII. Status of Compliance with Section 33334.16 as of June 30, 2014

I. LAND HELD FOR RESALE acquired by the Housing Successor Agency after February 1, 2012. Acquired by the Housing Successor Agency subsequent to February 1, 2012 from Non Low-Mod Funds.

Address of Property	Date of Acquisition	Deadline to Initiate Development Activity	Status of Housing Successor Activity
1301 & 1317 Market Street (13th & Market)	1999-2005 (a)	N/A	Considering high concentration of affordable housing within the block and in the surrounding area, consider selling the site without affordable housing requirement, with the proceeds used to support the development of affordable housing.
1325-1333 Market Street	7/1/2005 (a)	N/A	
901 Park Blvd (Popular Market)	2001 (a)	N/A	Proposed market-rate mixed use development with 15 percent affordable units. RFP is anticipated Fiscal Year 2016 or 2017.
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. Anticipated closing in Fiscal Year 2017.
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 and it is anticipated that a DDA be executed in Fiscal Year 2016. Anticipated closing in Fiscal Year 2017.
6395 & 6397 Imperial Avenue	8/15/2008 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2015. 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 negotiated and will be brought forward for approval in Fiscal Year 2015.
NW Corner of 40th & Alpha	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2015.
3947-53 & 3961 Z Street (40th & Alpha)	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2015.

(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. These properties were transferred to the LMHAF as of January 4, 2013 per the DOF Housing Asset Transfer Form.

SCHEDULE B

City of San Diego Low-Moderate Housing Fund
 VII. Status of Compliance with Section 33334.16 as of June 30, 2014

II. LAND HELD FOR RESALE acquired by the Housing Successor Agency 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 DDA for the Alpha Square project was executed in July 2013. Construction started in April 2014 and is scheduled to be completed in October 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 and a DDA in Fiscal Year 2017.