

**REPLACEMENT HOUSING PLAN
for the
Fairmount 26 Project**

INTRODUCTION AND STATEMENT OF PURPOSE

The Redevelopment Agency of the City of San Diego, a public body, corporate and politic (the “**Agency**”), is contemplating entering into an agreement with the City Heights Community Development Corporation and Chelsea Investment Corporation, also known as Fairmount 26, L.P. (the “**Developer**”), regarding, among other things, the Agency providing financial assistance to the Developer for certain costs associated with the Developer’s development of a project (the “**Project**”) located at 3332-3406 Fairmount Avenue. The Project would include, among other things, the demolition of two existing rental housing units (with a total of one studio and a one-bedroom units) (per Section 33413(f)(1) of the California Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) (the “**CRL**”), “destroyed or removed units having one or no bedroom are deemed for this purpose to have one bedroom” and the construction of 26 new affordable rental units (with a total of 60 bedrooms) on the site.

Section 33413.5 of the CRL requires the Agency to adopt a replacement housing plan before it enters into certain funding agreements that would lead to the destruction or removal of dwelling units from the low and moderate income housing market.

Specifically, Section 33413(a) of the CRL requires that whenever dwelling units occupied by low or moderate income households are destroyed or removed from the low and moderate income housing market as part of a redevelopment project, the Agency shall within 4 years of the destruction or removal, rehabilitate, develop, construct or cause to be rehabilitated, developed or constructed, for rental or sale to persons and families of low or moderate income at an affordable housing cost an equal number of replacement dwelling units containing an equal or greater number of bedrooms as the destroyed units. Section 33413(f) of the CRL permits the Agency to satisfy its replacement housing obligation with fewer units so long as (i) the total number of bedrooms in the replacement units equals or exceeds the number of bedrooms in the destroyed units and (ii) the replacement units are affordable to and occupied by the same income level of households as the destroyed units. Replacement housing units can be developed anywhere within the Agency’s jurisdiction.

This plan (this “**Plan**”) has been prepared to satisfy the requirement for a replacement housing plan under CRL Sections 33413 and 33413.5

This Plan describes, among other things, the following:

1. Proposed project;
2. Project location;
3. Development of the replacement housing;
4. Financing the replacement housing;

5. Schedule for the construction of the replacement housing;
6. Period for which the replacement units would remain affordable; and
7. Availability of this Plan for public review.

DEFINITIONS

Extremely Low Income Household

Persons and families whose gross household income does not exceed 30 percent of the area median income adjusted for family size, as more specifically defined in Section 50106 of the CRL.

Very Low Income Household

Persons and families whose gross household income does not exceed 50 percent of the area median income adjusted for family size, as more specifically defined in Section 50105 of the CRL.

Low Income Household

Persons and families whose gross household income does not exceed 80 percent of the area median income adjusted for family size, as more specifically defined in Section 50079.5 of the CRL.

Moderate Income Household

Persons and families whose gross household income does not exceed 120 percent of the area median income adjusted for family size, as more specifically defined in Section 50093 of the CRL.

PROPOSED PROJECT

The proposed Project would be developed by the Developer with financial assistance from, among others, the Agency.

As described above, the proposed Project would entail, among other things, the demolition of two rental housing units (with a total of two bedrooms) and the construction of 26 new units (with a total of 60 bedrooms) of affordable rental housing on the site.

PROJECT LOCATION

The proposed Project would be located at 3332-3406 Fairmount Avenue, on the west side of Fairmount Avenue in the South Castle Neighborhood within the City Heights Redevelopment Project Area. On Exhibit 1, a map of the Project location is provided.

REPLACEMENT HOUSING UNITS

This Plan describes the measures that the Agency would take to ensure the production of at least two replacement units (or at least two replacement bedrooms) within 4 years after the removal of those units/bedrooms from the extremely low, very low, low and moderate income housing market as part of the Project. All of the replacement dwelling units would be available at an affordable housing cost to, and occupied by, persons in the same or lower income category as the Extremely Low and Very Low Income Households displaced from the existing rental housing units.

Exhibit 2 describes (i) the income categories and number of housing units, with the corresponding number of bedrooms, that would be demolished and (ii) the replacement housing units, with the corresponding number of bedrooms that would be constructed to meet CRL requirements.

The proposed Project would include 18 two-bedroom units, and 8 three-bedroom units. Approximately twelve percent (12%) would be Extremely Low Income Household units (2 two-bedroom units and 1 three-bedroom unit), sixty-one percent (61%) would be Very Low Income Household units (11 two-bedroom units and 5 three-bedroom units), and twenty-seven percent (27%) would be Low Income Household units (5 two-bedroom units and 2 three-bedroom units). The 26 affordable units developed as part of the Project on the site would contain a total of 60 bedrooms and would be scheduled to be completed within 4 years after the demolition of the existing residential structures.

Exhibit 2 describes the income categories and number of housing units, with the corresponding number of bedrooms, that would be demolished and the replacement housing units, with the corresponding number of bedrooms that would be constructed to meet the Agency's replacement housing requirements under the CRL.

The Project would provide affordable units in excess of the replacement obligations triggered by the Project, thereby providing the Agency with additional units to fulfill existing or future replacement housing or housing production obligations under Sections 33413(a) and (b) of the CRL.

FUNDING SOURCES

The redevelopment plans for the various Agency redevelopment project areas authorize the Agency to finance its activities with assistance from various sources, including the City of San Diego, the State of California, the United States Government, property tax increment funds (including affordable housing set-aside funds), interest income, Agency bonds and/or other available sources.

For this Project, it is anticipated that the development of 26 housing units, including the replacement housing units, would be financed with a combination of low income housing

tax credits, institutional loans, Federal Home Loan Bank (AHP) funds, Agency financing and energy efficiency rebates.

TIMELINE FOR REPLACEMENT HOUSING

In order to comply with Section 33413(a), the Agency must construct or develop or cause the construction or development of the replacement units within four years of the destruction or removal of the dwelling units housing persons and families of low or moderate income. The Fairmount 26 Project is expected to be completed on or before August 2011. The replacement units would be available for occupancy before a date that is 4 years after commencement of demolition.¹

LOW/MODERATE INCOME ASSURANCE

The Agency's agreement with the Developer would require the recordation of a covenant against the site requiring at least 55 years of Extremely Low and Very Low Income Household affordability for the 2 replacement units, as required by the CRL and/or other applicable laws, regulations and/or agreements.

Moreover, the Agency, in accordance with CRL Section 33418, monitors on an ongoing basis any housing affordable to persons and families of extremely low, very low, low or moderate income developed or otherwise made available pursuant to agreements with the Agency.

CALIFORNIA CONSTITUTION ARTICLE XXXIV

Article XXXIV of the California Constitution provides that no low rent housing project may be developed or constructed in any manner by any state public body until approved by a majority of the qualified voters in the affected city, town or county. However, Sections 37001 and 37001.5 of the CRL set forth exclusions from the application of Article XXXIV. One of the exclusions (*i.e.*, CRL Section 37001(f)) is the "replacement of ... dwelling units of a ... project previously or currently occupied by lower income households". Because each of the units at the Project was previously and/or is currently occupied by a lower income household, the replacement thereof pursuant to this Plan falls under that specific exclusion. Therefore, it is found that the replacement housing does not require the approval of the voters pursuant to Article XXXIV of the California Constitution.

¹ If any of the proposed replacement units was not available for occupancy before a date that is 4 years after commencement of demolition of the existing rental housing units, then the Agency plans to designate one very low income unit at the Metro Villas Apartments and one extremely low income unit at Auburn Park Apartments. The units would be available at an affordable housing cost to, and occupied by, persons in the same or lower income category as the Extremely Low and Very Low Income Households displaced from the existing rental housing units as the corresponding replacement units therefore.

AVAILABILITY OF PLAN FOR REVIEW

In accordance with the CRL, a draft of this Plan was made available for review and comment by the project area committee (if any), other public agencies and the general public at 1200 3rd Avenue, 14th Floor, San Diego, California 92101. Publication of a notice of this Plan's availability was given in a newspaper of general circulation a reasonable time prior to the Agency's consideration of this Plan.

EXHIBIT 1

Map

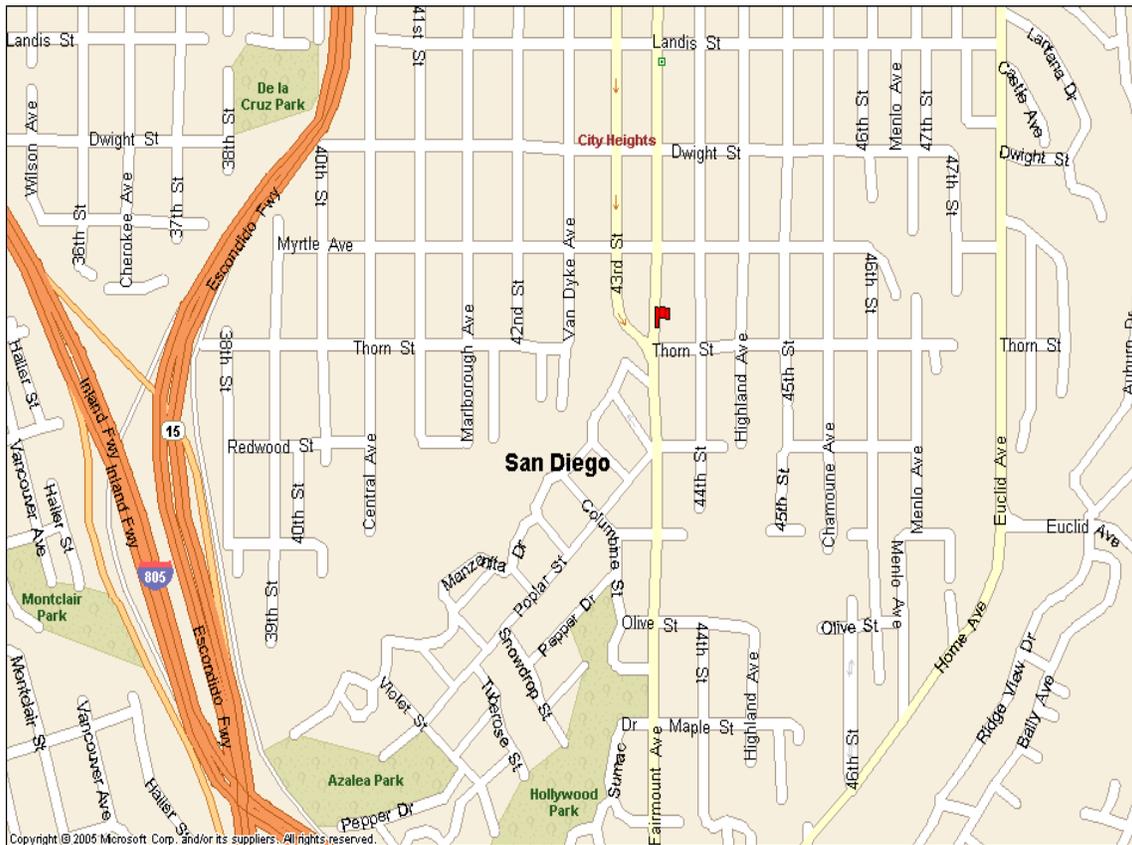


EXHIBIT 2

Tables of Housing Units to be Removed and Replacement Units to be Constructed

Housing Units to be Removed

# of bedrooms per unit	# of existing units	total # of bedrooms	# of bedrooms occupied by Extremely Low Income Households	# of bedrooms occupied by Very Low Income Households	# of bedrooms occupied by Low Income Households	# of bedrooms occupied by Moderate Income Households
Studio	1	1	1	0	0	0
1	1	1	0	1	0	0
Total	2	2	1	1	0	0

Replacement Housing Units to be Constructed

# of bedrooms per unit	# of replacement units	total # of bedrooms	# of bedrooms to be occupied by Extremely Low Income Households	# of bedrooms to be occupied by Very Low Income Households	# of bedrooms to be occupied by Low Income Households	# of bedrooms to be occupied by Moderate Income Households
2	18	36	4	22	10	0
3	8	24	3	15	6	0
Total	26	60	7	37	16	0