

**REPORT ON THE LOW AND MODERATE INCOME HOUSING ASSET FUND  
FOR FISCAL YEAR JUNE 30, 2017  
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, 2018. 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, 2017 (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, 2017 as audited 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 total 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 a total of \$792,752 for reinstated loan agreements under Code section 34191.4(b)(3)(A), twenty percent of which was deposited into the LMIHAF in accordance with Code section 34191.4(b)(3)(C), as set forth in section II below.

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

According to the Audit, a total of \$19,348,350 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 \$158,550 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 \$56,033,287 of which \$0 is held for items listed on the ROPS.

**IV. DESCRIPTION OF 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>	\$ 1,343,615
<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>	1,909,836
<b>Extremely-Low Income Units (30% or less area median income)</b>	878,536
<b>Total LMIHAF Expenditure in Fiscal Year</b>	<b>4,131,987</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>	\$ 31,222,721
<b>Land Held for Resale</b>	20,778,046
<b>Total Real Property Owned by Housing Successor Agency</b>	52,000,767
<b>Value of Loans and Grants Receivable</b>	255,398,984
<b>Total Value of Real Property and Loans and Grants Receivable</b>	<b>307,399,751</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:

			Funding Source	
Project Name	Description	Status of Project	Bonds	RPTTF
Yale Lofts	14 units - Affordable Rental Housing Project	Monthly Lease Obligation Payment		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. The 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.

On November 13, 2017, the City Council adopted a resolution to extend the time period to initiate affordable housing development activity for an additional five year period, until January 3, 2023, for the properties that do not yet have development activity initiated.

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 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 obligation. In FY 2016, Alpha Square was completed and contributed 59 very low income units toward the outstanding production obligation. In FY 2017 Atmosphere was completed and contributed 18 very low income units and 79 low/moderate income units toward the outstanding production obligation. Therefore, the total outstanding production obligation for all project areas has been completed. The following provides a status of outstanding obligations pursuant to section 33413.

As of February 1, 2012	Completed FY 2015	Completed FY 2016	Completed FY 2017	No Outstanding Obligations as of June 30, 2017
See Schedule C				

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 fourth year ending June 30, 2017 (includes Fiscal Year 2014 through 2017):

<b>Extremely-Low Income Test</b>	
<b>First 4 Year Test</b>	<b>LMIHAF</b>
<b>Extremely-Low Income Units</b>	<b>\$ 2,433,544</b>
<b>Total Expenditures for Low Mod Units</b>	<b>\$ 6,739,960</b>
<b>Extremely-Low Income Test</b>	<b>36.1%</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, 2008 to June 30, 2017:

<b>Senior Housing Test</b>		<b>FY 07/08 to FY 16/17</b>
<b># of Assisted Senior Rental Units</b>		<b>503</b>
<b># of Total Assisted Rental Units</b>		<b>3597</b>
<b>Senior Housing Percentage</b>		<b>14.0%</b>

Source: Civic San Diego and San Diego Housing Commission

## **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. That section does not indicate whether “preceding four fiscal years” includes the Fiscal Year for which the excess surplus is being calculated (e.g., whether FY2013-FY2016 or FY2014-FY2017 is the appropriate four year period for calculating the excess surplus existing at the close of FY2017). To attempt to resolve this ambiguity, we have relied on the context provided by the statute that governed calculation of excess surplus for the Low and Moderate Income Housing Fund previously held by the former Redevelopment Agency prior to redevelopment dissolution and enactment of SB 341, which provides in relevant part:

“Excess surplus” means any unexpended and unencumbered amount in the agency’s Low and Moderate Income Housing Fund that exceeds . . . the aggregate amount deposited into the Low and Moderate Income Housing Fund . . . during the agency’s preceding four fiscal years. The first fiscal year to be included in this computation is the 1989-90 fiscal year, and the first date on which an excess surplus may exist is July 1, 1994. (H&S Code section 33334.12(g)).

Under this provision, the deposits made during the four fiscal years preceding the fiscal year for which the excess surplus is being calculated should be included in the calculation. While section 34176.1(d) does not include a similar example, the absence of any evidence of legislative intent to change the designation of the appropriate four year period for the LMIHAF excess surplus calculation indicates it should continue to be designated in the same manner.



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.

As of June 30, 2017, the Housing Successor does not hold any excess surplus.

<b>Excess Surplus</b>	<b>Deposits</b>	<b>Unencumbered</b>
<b>FY 2017 Unencumbered</b>		<b>\$ 49,247,048</b>
<b>FY 2013 Deposits</b>	<b>17,150,535</b>	
<b>FY 2014 Deposits</b>	<b>13,762,309</b>	
<b>FY 2015 Deposits</b>	<b>9,988,969</b>	
<b>FY 2016 Deposits</b>	<b>21,075,082</b>	
<b>Total Deposits - 4 preceding years</b>		<b>61,976,895</b>
<b>Excess Surplus Calculation</b>		<b>(12,729,847)</b>

Source: Comptroller and Civic San Diego

### **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

## VIII. Status of Compliance with Section 33334.16 as of June 30, 2017

## 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		Status of Housing Successor Activity
		Date of Acquisition	Development Activity	
529 13th Street (13th & Market)	5/4/2007		1/3/2023	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2018/19
533 13th Street (13th & Market)	3/13/2006		1/3/2023	Same as 529 13th Street
1343-1345 Market Street (13th & Market)	01/13/12		Completed	The Alpha Square affordable housing development completed construction in March 2016 and is fully occupied.
1320 Broadway (13th & Broadway)	10/25/2006		1/3/2023	The ENA for a proposed mixed-use project with a fire station and affordable housing was executed in November 2017. Negotiations are anticipated to result in a DDA in FY 2018/19.
1453-1457 4th Street (Atmosphere Project)	9/1/2010		Completed	The Atmosphere affordable housing development completed construction in May 2017 and is fully occupied.
1434 5th Avenue (Atmosphere Project)	3/2/2011		Completed	Same as 1453-1457 4th Street
1492-1494 5th Avenue (Atmosphere Project)	3/15/2011		Completed	Same as 1453-1457 4th Street
1038-1040 Euclid Avenue (Hilltop & Euclid)	8/26/2004		1/3/2023	Proposed for a mixed-use project with commercial and affordable housing. Executed Exclusive Negotiation Agreement in October 2016 for development of an affordable housing, mixed use, mixed income development. DDA anticipated in FY 2017/18 (PENDING COUNCIL ACTION MAR/APR 2018)
5012 1/2 Hilltop Drive (Hilltop & Euclid)	8/26/2004		1/3/2023	Same as 1038-1040 Euclid Avenue
932 Euclid Avenue (Hilltop & Euclid)	6/2/2005		1/3/2023	Same as 1038-1040 Euclid Avenue
922 Euclid Avenue (Hilltop & Euclid)	8/15/2005		1/3/2023	Same as 1038-1040 Euclid Avenue
1034 & 1036 Euclid Avenue (Hilltop & Euclid)	10/10/2005		1/3/2023	Same as 1038-1040 Euclid Avenue
942 Euclid Avenue (Hilltop & Euclid)	10/10/2005		1/3/2023	Same as 1038-1040 Euclid Avenue

## SCHEDULE A

## City of San Diego Low-Moderate Housing Fund

## VIII. Status of Compliance with Section 33334.16 as of June 30, 2017

## II. Real property acquired by the former redevelopment agency PRIOR TO February 1, 2012 with 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	Proposed market-rate mixed use development with 15% affordable units. RFP Anticipated FY 2018/19.
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 2018/19.
1101 G Street (12th & Market / Park and Market)	2002-2003 (a)	N/A	In FY 2017 the property was sold for development of a mixed use project including 20 percent affordable units. Currently under construction with anticipated completion in FY 2021.
701 Market Street (Parking Lot on 7th & Market)	1999-2002 (a)	N/A	Leased to a parking operator. DDA executed 11/2016. Project will move forward after pending litigation has been resolved.
6395 & 6397 Imperial Avenue	8/15/2008 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2018/19. However, due to the small and challenging size of the site, the City is exploring other options to more efficiently leverage this site.
5003 Imperial Avenue (Ouchi Site)	2/12/2008 (a)	Completed	The Ouchi Courtyards affordable housing project completed construction in May 2017 and is fully occupied.
NW Corner of 40th & Alpha	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2018/19.
3947-53 & 3961 Z Street (40th & Alpha)	1999-2000 (a)	N/A	Proposed for 100 percent affordable housing. RFP is anticipated in Fiscal Year 2018/19.
475 West Broadway (GSA Childcare Center)	3/17/1981 (b)	N/A	Property encumbered by a lease to GSA. Site will not be disposed of until lease terminates, estimated in FY 2019.

(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.

(b) This property was inadvertently not listed in past reports.

## SCHEDULE A

City of San Diego Low-Moderate Housing Fund  
 VIII. Status of Compliance with Section 33334.16 as of June 30, 2017

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	Completed	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) and was extended one year with an additional one year option (through August 2019). RFP is anticipated in Fiscal Year 2018/19.

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		Completed FY 2017		No Outstanding Obligations as of June 30, 2017	
	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 6/30/2017:	
Affordability Covenants:	77
First Time Homebuyer Programs:	101 units/active loans
Home Enhancement Loan Program:	308 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 7/1/2016 to 6/30/17:	
Affordability Covenants:	No units lost
First Time Homebuyer Programs:	0 units lost to foreclosure; 8 units sold/paid off
Home Enhancement Loan Program:	2 units lost to foreclosure; 68 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: \$136,416 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	