200 E. Wells Street
Milwaukee, Wisconsin
53202

City of Milwaukee

Meeting Minutes

MILWAUKEE HOUSING TRUST FUND OPERATIONAL CRITERIA SUBCOMMITTEE

BETHANY SANCHEZ, CHAIR
Tony Perez and Brian Peters

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Thursday, March 16, 2006 | **9:00 AM** | **Room 301-C, City Hall**

Meeting convened: 9:05 A.M.
Members present: Bethany Sanchez and Brian Peters
Members excused: Tony Perez
Also present: Una Van Duvall - Dept. of City Development, Bobbi Marsells - Housing Authority, Jared Erdman - Legislative Assistant to Ald. Murphy, Garry Werra - Community Block Grant Administration, Stephen Adams - Community Development Management Partnerships, Marne Stuck - Greater Milwaukee Association of Realtors, Marianne Walsh and Emma Stamps - Legislative Reference Bureau and Heather Dummer Combs - member of the Milwaukee Housing Trust Fund Task Force

1. Selection of Chair and Vice-Chair

Ms. Sanchez was unanimously elected Chair. A number of individuals present believed that Mr. Tom Capp was also a member of this Subcommittee. When Ms. Elmer re-listened to the tape of the Milwaukee Housing Trust Fund Task Force meeting of February 27th, he was not noted as being a member of this Subcommittee. The election of a Vice-Chair will be scheduled for the next meeting.

2. Discussion of selection of eligible recipients of Housing Trust Fund funds

Ms. Sanchez provided those present with a copy of a document titled, "Milwaukee's Housing Trust Fund Proposal" (Exhibit 1) which was created by the Milwaukee Housing Trust Fund Coalition as its vision of how trust fund dollars could be distributed. This document was used as a starting point for discussion by Subcommitee members. Ms. Elmer will contact Amy Murphy in the Health Department related to its Healthy Homes initiative and how much money is used for lead abatement/housing efforts as part of that program. Mr. Adams questioned if anyone present knew of the number of substandards units in the City. Mr. Erdman noted that the Department of Neighborhood Services (DNS) has a record of building code violations for individual units. Ms. Elmer will contact DNS to see if any data can be obtained that would be useful to this body. Mr. Adams will also obtain the federal definition of "substandard housing".

Ms. Van Duvall expressed concerns that the funds should be distributed through an application process for work to be performed under trust fund direction. Mr. Adams was also supportive of an application process. Individuals present were supportive of using *this money as a complement to existing funds. It was noted that individuals, if private developers, could be eligible to receive funds if they also agree to affordability restrictions and certification.*

Ms. Sanchez mentioned having a capacity-building component as part of the Milwaukee housing trust fund. This would fund the training and operations of non-profit organizations and developers to who would access these funds for developing affordable housing. Ms. Elmer will contact the Wisconsin Housing and Economic Development Authority to obtain the amount of tax credits that the City has received from that authority . Drawing upon her experience with San Diego, Ms. Sanchez mentioned that this city's trust fund has a capacity-building function in regards to non-profit organizations. These can be organizations that are currently in the affordable housing arena or those that which to enter it. Non-profits in San Diego must have been in existence a minimum of 3 years in order to qualify to receive funds.

Ms. Van Duvall expressed an interest in having trust fund dollars be used for the best and highest use, meaning that there are lots of federal programs that are restrictive and trust funds should be used for projects which wouldn't meet these restrictions. This would leave more federal funds to be used for the poorest of the poor. Ms. Sanchez also noted that when Neighborhood Improvement Programs (NIPs) use federal money, they are often required to overimprove the property as all building code violations need to be corrected, not just the work that a homeowner may wish to have done. Mr. Werra expressed concern that health and safety hazards may not be addressed if the whole building unit is not reviewed by the City or the corresponding agenda.

Mr. Werra suggested that the developments funded by the trust fund may function as a hybrid, using HOME, block grant and its own funds.

Ms. Sanchez endorsed increasing the term of affordability for recipients. Ms. Van Duvall noted that tax credit money and block grant funds are both 15 years and she supports keeping it at this length. Ms. Sanchez, however, feels that more low-income people can be served and that more housing will remain affordable with longer affordable terms. Ms.Van Duvall feared that lengthening the term would adversely affect development. Ms. Marsells noted that after 15 years, more money typically needs to be put into a unit to either replace existing features or rehab the property.

Mr. Peters said that revolving loans might return money to the fund and some projects might be granted forgivable loans. He also stated that he feels 15 years is also too short of a time and the fund needs to have sufficient money prior to looking at providing a building-capacity function. Ms. Marsells noted that administratively it would be easier if the terms of affordability were equal to existing terms, rather than having variable terms across projects.

Mr. Peters questioned if existing programs correlate income and property value. Mr. Werra noted that for new construction, an analysis is done of income and if the property is affordable for those who will be residing at that site; for existing properties, it is not. Once the home is sold, the city has no control as to whether that unit remains as affordable housing or not. Mr. Werra noted that there is an assumption of affordability for the NIP program in the block-grant target areas because housing prices are low in those areas, so it does address the desire to keep properties affordable, but in a roundabout way.

Ms. Sanchez mentioned that the group might want target some trust fund money to be used for gaps in current federal funding. Mr. Werra noted that a curent gap is for individuals who are slightly above the 80% limit, even by a few dollars, who no longer are eligible for funds. Ms. Dummer Combs said that income guidelines from existing programs could also be used, which would leave the trust fund at the 80% level for homeownership/housing. Mr. Peters noted that the Housing Authority provides exceptions for long-term medical expenses or other long-term costs which, in practice, decrease one's income, which would result in looking at net income, rather than gross income. Ms. Marsells noted that there is a gap between rental housing, which is at 60% and public housing, which is at 80%, so as units are being converted this creates a problem. She supports going up to 80% with the trust funds. Ms. Sanchez pointed out that there is also a huge rental need at or below 50%, while Ms. Dummer Combs pointed out that she has seen the greatest need being at or below 30%. Mr. Peters will e-mail a report to Ms. Elmer about the cost burden of housing per household, who will then distribute it to members. Mr. Werra noted that if the goal of the trust fund is to complement existing programs, the 80% number would be better than a lower number.

Mr. Peters thought the tax credit was both 50% or 60%, depending on the development. Individuals present were not sure about this. Ms. Marsells noted that Section 8 housing is 60%.

3. Discussion of ranking of selection of eligble recipients

This item was not discussed by the Subcommitee.

3a. Administration of a Housing Trust Fund

Ms. Sanchez distributed copies of "FAQs Regarding the Proposal for a City of Milwaukee Housing Trust Fund" (Exhibit 2) for members to review prior to the next meeting. She also distributed a copy of "San Diego Housing Trust Fund - FY04 Implementation Strategy - Funding Allocation Among Eligible Activities" for members' review and to function as a reference point that can be tailored to Milwaukee's needs.

Ms. Sanchez noted that this body will also need to decide which entity will administer the funds, whether it be Community Block Grant Administration (CBGA), the Housing Authority, another non-profit that is created, or some other entity. Mr. Werra noted that CBGA would be able to administer the funds, if asked to do so.

Ms. Sanchez also provided copies of a document titled, "Potential Uses of Housing Trust Funds Money" (Exhibit 4).

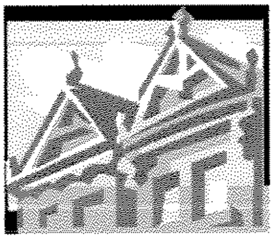
Mr. Peters said that CBGA is the most obvious place, but he is concerned that CBGA or the Common Council may use trust funds to replace reduced revenue in other areas. Mr. Peters feels that a non-profit organization might be able to avoid this dilemma. Others noted that if public money is used, the Council would still retain control. Mr. Erdman noted that the political work would need to be done to ensure that these funds are not diverted to other uses. Ms. Marsells noted that the Housing Authority is not interested in adminstration of these funds. The Housing Authority could also be a potential recipient of these funds, which would result in a conflict of interest if these funds were administered by the Housing Authority. The Department of City Development (DCD) is very interested in the best use of the money, but it is still too early to say if DCD is interested in administering these funds, although the department is interested in *streamlining any administration of these funds.*

Mr. Adams noted that a good use of these funds would be to leverage these funds into greater funds and possibly have bonding authority for the trust fund. Ms. Sanchez would like to see a leveraging aspect to any applications or extra credit being given on applications which have a leveraging aspect. The trust funds would exist as one component of a development, rather than being the sole source of funds for a development. The San Diego trust fund was able to leverage $8 for every $1 spent, while Ms. Dummer Combs believed that the national average is $5 for every $1 spent, but Ms. Sanchez thought that might be the lower end.

4. Set next meeting date and agenda

The next meeting will be either April 4 at 9 a.m. or March 30th at 9 a.m., depending on Tom Capp's schedule.

Meeting adjourned: 10:40 A.M.
Linda M. Elmer
Staff Assistant



Milwaukee's Housing Trust Fund Proposal

A broad coalition of Homeless Shelter Providers, Housing & Community Development Organizations and Faith Based Organizations has drafted a proposal for a Milwaukee Housing Trust Fund - aimed at creating $5 Million locally for new affordable housing projects in the City.

Fund Amount: The Housing Trust Fund (HTF) will receive at least $5 Million annually in public revenues dedicated for the specific use of the Fund.

Funding Category	Housing and Services for households with incomes:	% of HTF Dollars Allocated to the Category	Dollar Allocation	Leverage[1] \$1 HTF = \$5 Other Funds and Financing	Additional Units Generated @ $100K per Unit
Rental Housing Development & Services	No more than 50% CMI[2]	40%	$2 Million	$10,000,000	100
Homeless & SRO Housing Development & Services	No more than 50% CMI	30%	$1.5 Million	$7,500,000	75
Homeowner Projects Development & Services	Services = no more than 50% CMI Development = no more than 80% CMI	30%	$1.5 Million	$7,500,000	75

Use of Funds: new construction and rehabilitation of housing, including rental and homeowner housing, as well as homeless & SRO housing. Services & operations directly related to the housing provided are also eligible.

Terms of Affordability: Housing must remain affordable for terms of 15 years for Rehab projects and 20 years for New Construction projects

Eligible Applicants: nonprofit and for-profit developers, and government agencies.

Advisory Board: 13-15 member advisory board appointed jointly by the mayor and the council from lists supplied by specified constituency groups - plus one designee from the City Comptroller

Administering Agency: Milwaukee Community Block Grant Administration

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[1] The Center for Community Change estimates that every $1.00 of local HTF funds leverages $5 to $10 of additional funding and financing.

[2] Fifty Percent (50%) of County Median Income (CMI) for a family of four in Milwaukee is $33,600

For More Information Contact: Interfaith Conference of Greater Milwaukee - (414) 276-9050

FAQs Regarding the Proposal for a City of Milwaukee Housing Trust Fund

HOW WOULD THE HOUSING TRUST FUND WORK?

The broad-based coalition of government agencies, community-based and faith-based groups, and other nonprofit organizations is proposing that the Community Development Block Grant Administration (CDBGA) administer the fund, with guidance from a community-based advisory board appointed by the Mayor and Common Council. The way the coalition envisions it, and the way trust funds work in many other locations, is that as the revenue starts to come in, CDBGA staff, with guidance from the HTF Advisory Board, and approval by the City's Community and Economic Development (CED) Committee, would come up with a plan, prioritizing the uses of the money, and deciding which types of uses will be addressed first, as the money starts to come in.

As an <u>example</u>, let's say the first use of funds to be addressed is for the development of affordable rental units – either by new construction or by the acquisition and rehabilitation existing rental property. The CDBG folks would create a Request for Proposals (RFP), asking nonprofit, for-profit or government developers to propose how they would use HTF dollars to develop affordable rental units.

Applicants responding to the RFP would need to agree that if they use the Housing Trust Fund money, they will keep the housing units affordable to households whose income is equal to, or less than 50% of the County's median income. The coalition's proposal is that the housing must remain affordable for at least 15 years for rehab projects and 20 years for new construction projects. Other HTFs use much longer affordability periods, many require 55 years or more.

The RFP would state whether the funds will come in the form of a low or no interest loan, a residual receipts loan, a grant, or recoverable grant, and would specify some specific criteria to be met, and could give extra points if it met additional specified goals. The developers would put their proposal together, showing how they would use the HTF money in conjunction with other resources, to create additional units of affordable housing.

Once the deadline for the proposals has passed. CDBG staff, and the Advisory Board evaluate each proposal, to see which proposal:

- best meets the threshold criteria established in the RFP,
- best meets the needs of the community
- presents a workable and realistic plan, and
- has the staff and resources necessary to carry out the project.

The proposals would be rated on these criteria, and most likely, other criteria as well. Because it's locally conceived and administered, those who become involved with the Housing Trust Fund effort can help shape the rules so that money is targeted to fill the most urgent needs.

The targeting would come into play as the proposals are reviewed. Proposals that include additional features would receive more points as they are evaluated, increasing the likelihood that they would receive the HTF money. While none of these are specifically part of the coalition's proposal, here are some criteria that could be used to evaluate the proposals:

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- Projects that use the HTF money to leverage other funds would get more points, and the projects leveraging the most could get the most points.

- Leveraging also can come in the form of economic development, education, job creation and business development. Projects that coordinate with, and enhance the work of other entities in the neighborhood, such as employers, business improvement districts, schools, job training agencies or social service agencies could receive additional points as they are evaluated. An example of how this could work could see developers consulting with the businesses in the neighborhood and designing their housing to meet the needs of the lower income employees of those businesses. Or a project might target the turnover problem in a school by locating in the neighborhood of a school with a particularly troubling mobility/turnover rate.

- Another example might be to propose to use workers from the neighborhood, or to give priority to DBE contractors. This could motivate developers to develop relationships with people from the neighborhoods they are working in, helping them to create a steady stream of business for the contractors, which would help to stabilize those neighborhood businesses and jobs.

- Because there is very little money available to support housing for very low and extremely low income people, projects that serve the lowest income people could be prioritized, giving them more evaluation points.

- Because 15 or 20 years go by quickly, projects that extend the length of affordability could receive more points.

- Projects that encourage more diverse neighborhoods and increase housing choice within neighborhoods could get more points.

- Projects that use green building principles could receive additional points.

Once the projects go through the review process and the recommendations are made, projects that are recommended to receive HTF funds would finalize their financing packages, sign contacts, and start development. CDBG would administer the distribution of the funds and ensure that appropriate liens and controls ensure the long-term affordability of the project.

That's how the coalition envisions one type of money being used. As more money became available, other RFPs would be issued for additional uses – funds to make homeowner units accessible to people with disabilities, for example, or funds to build permanent housing with services for homeless people.

HOW WOULD THE HTF LEVERAGE OTHER MONEY?

On average, across the country, $1 of housing trust fund money leverages an additional $10 for the development or project. In most cases, the HTF provides that gap financing that means that the project can go forward. Using the 1:10 leverage number, the developer needed $1,100,000 but only had $1,000,000. The trust fund's additional $100,000 leveraged the other $1million, making the project possible. The other $1 million may come from bank loans, Low Income Housing Tax Credits, TIF proceeds, CDBG, HOME, private or public foundations, owners' equity, or other sources.

Those familiar with LIHTC know that in Wisconsin, if developers can demonstrate local support, they are more likely to receive the tax credits to finance their development. If the Milwaukee Housing Trust Fund commits funds to a development, that would be seen as local support. Across the country, equity funds and many foundations will not invest in developments unless there is local support. Additionally, reducing the amount needed by each investor simply makes each investor less nervous about getting their money back because they are putting in less on the front end, so there's less to lose. So having a local HTF as one of a developer's financing mechanisms can not only fill financial gaps, but increase their chances of attracting other money as well.

WHAT WOULD THE HTF'S IMPACT BE?

Using a very conservative estimate - only half the national leveraging average – the coalition estimates that a $5 million annual HTF would generate 100 additional rental units each year (new construction or rehab), and 75 units of housing for formerly homes people, and 75 additional units for homeownership.

Looking at those additional 100 units of rental housing, and the National Association of Home Builders' multipliers, one can see the additional economic impact of affordable rental housing development. They estimate that the direct and indirect impact of 100 units is:

- $6 million in local income,
- $1.13 million in local business owners' income,
- $4.88 million in local wages and salaries,
- $842,000 in local taxes and fees,
- and 112 jobs supported.

Additionally, they estimate that the ongoing, annual effect that occurs when homes are occupied is an additional:

- $1.6 million in local income,
- $336,000 in local business owners' income,
- $1.3 million in local wages and salaries,
- $337,000 in local taxes and fees, and
- 33 jobs supported.

DO CERTAIN FUNDING STREAMS CREATE BIGGER PROBLEMS/ISSUES FOR THE HTF?

Yes, two of the three funding streams the coalition recommended originally would require enabling legislation at the state level. Additionally, those crafting the HTF need to be cautious about accepting one-time sources of revenue. While some money may be better than none, the trust fund concept revolves around having an on-going, dedicated revenue source. <u>And it should be new money – not something that was already available for these kinds of activities.</u>

WHAT KINDS OF COLLABORATIONS EXIST TO FORM OR MODIFY IDEAS FOR FUNDING MILWAUKEE'S HTF?

The coalition has had positive, productive discussions with representatives of the healthcare industry, the arts, the business community, elected officials and the Journal Sentinel editorial writers, who wrote an editorial endorsing the idea of an HTF.

More developers, including nonprofit developers must endorse the effort and actively work with the coalition to create the HTF.

It is important that other business people to sign on as well – big and small businesses whose employees need affordable housing – Miller Brewing, Harley Davidson, Eaton Corporation, and Rockwell; as well as restaurants, cafes, hotels, casinos and others in the hospitality industry. And we need the support of other small businesses that employ lower wage workers.

BESIDES HOUSING THEIR EMPLOYEES, HOW WOULD BUSINESSES BENEFIT FROM AN HTF?

- Housing development would bring new business opportunities.
- Housing is an economic stimulus.
- Business owners can be involved in the planning process.
- More housing means the availability of more workers.
- More housing means more consumers in the neighborhood.

Businesses, as well as the rest of the community would also enjoy the social and economic benefits brought about by increased affordable housing. The increased stability and control gained via access to affordable, decent, safe and sanitary housing is integral to improving a wide array of other socio-economic factors in the community.

Studies have linked increased homeownership rates with literacy and other educational attainment rates, family stability, economic development, neighborhood revitalization, civic participation and community building. The impact in all these categories is both short and long term.

The relationship between education and housing is well documented. The more stable the home a child comes from, the more likely they are to succeed in school and later in the workforce.

In the case of health care, research establishes the relationship between the health of our families and the condition and stability of our housing. The costs associated with charity care and unpaid hospital bills are inevitably "cost shared" with the rest of the community, as the loss of hospital income represented by unpaid bills is offset in part by increased hospital charges.

HOW CAN I GET MORE INFORMATION OR GET INVOLVED WITH THE CAMPAIGN TO ESTABLISH AN HTF IN MILWAUKEE?

Call the Interfaith Conference at 414-276-9050 for more information.

Ask the organizations where you work or belong to, to sign on as a supporter. Fill out the endorsement form found at www.BroomTreeEnterprise.com (Current Projects page) and return it to Interfaith Conference of Greater Milwaukee, 1442 N. Farwell Ave., Suite 200, Milwaukee, WI 53202.

Write or call Mayor Barrett at **(414) 286-2200** and your Alderman at **(414) 286-2221** and ask them to support the creation of a Housing Trust Fund for Milwaukee.

Arrange a speaker for your organization by contacting the Interfaith Conference.

SAN DIEGO HOUSING TRUST FUND

FY04 IMPLEMENTATION STRATEGY

FUNDING ALLOCATION AMONG ELIGIBLE ACTIVITIES

Approximately $2 million is expected to be available in FY04, consisting of $230,556 million in estimated carryover and $1.8 million in revenue (Housing Impact Fees, CDBG loan repayments, and Housing Rehabilitation Trust Fund loan repayments). The Housing Commission Loan Committee and Proposal Review Committees make funding recommendations to the Housing Commission for approval of specific projects and activities. Some discretionary transfer of funds between eligible activities is permitted, but all funding recommendations must be consistent with the Three-Year Program Plan.

The proposed distribution of funds for FY04 is as follows:

Rental Housing Development New Rental Housing Existing Rental Housing	$200,000	10%
Special Purpose Rental Housing	$150,000	8%
Homeownership Shared Equity Program Downpayment Assistance Program Moving On Acquisition with Rehabilitation Limited Equity Cooperatives Mobile Home Parks	100,000	5%
Rehabilitation Owner-occupied Rehabilitation Nonprofit Owner-Occupied Mobile Home Rehabilitation Accessibility Grants for Tenants with Disabilities	477,015	23%
Transitional Housing Operations	700,000	34%
Nonprofit Capacity Building Predevelopment Financial Assistance Emergency Loan Fund Program Nonprofit Technical Assistance Nonprofit Support	80,000	4%
Reserves & Targets of Opportunity	46,566	2%
Administration	257,013	13%
Legal	30,000	1%
TOTAL	$2,040,594	100%

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HTF ORDINANCE COMPLIANCE TESTS

The Housing Trust Fund Ordinance, at Municipal Code Section 98.0504, sets forth the allocation boundaries for the Fund. To comply with the Ordinance, Housing Program Funds must be allocated:

- At least 10 percent to Transitional Housing;
- At least 60 percent to very low-income households (defined as households with incomes at or below 50 percent of area median income);
- No more than 20 percent to housing for low-income households (defined as households with incomes between 50 percent and 80 percent of area median income) and
- No more than 10 percent to median income first-time homebuyers.

Housing Program Funds are defined as those funds allocated to direct investment in housing. Administration, legal expenses, nonprofit capacity building and uncommitted reserves are excluded from the calculation.

For the FY04 Strategy, the calculation would be as follows:

Total Funds	$2,040,594
Less Administration, Legal	(287,013)
Less Capacity Building	(80,000)
Less Uncommitted Reserves/Targets	(46,566)
Equals Housing Program Funds (HPF)	$1,627,015

Program	Allocation	Percent of HPF
Transitional Housing	$ 700,000	43%
Very Low-Income (Excluding Transitional Housing)		
Rental Housing Development	200,000	
Special Purpose Rental	150,000	
Rehabilitation	477,015	
	$827,015	51%
Low-Income (estimated)		
Rehabilitation	-0-	
Homebuyers	$100,000	6%
Median-Income Homebuyers	-0-	

[The FY04 Implementation Strategy is in compliance with the allocation boundaries of the Housing Trust Fund Ordinance.]

SAN DIEGO HOUSING TRUST FUND: THREE-YEAR PROGRAM PLAN

ALLOCATION OF RESOURCES AMONG ELIGIBLE ACTIVITIES
Fiscal Years 2004 - 2006

Funding is allocated for a three-year period among the various activities authorized by the Housing Trust Fund Ordinance (Municipal Code Section 98.0501). Actual funding of activities will be achieved through the types of programs outlined in **Attachment 1,** "Model Programs." Model Programs are intended to provide broad descriptions of possible Housing Trust Fund activities. As such, Model Programs may change from time to time; they are not intended to preclude Housing Trust Fund investment in an opportunity that is not specifically described in the Model Programs Section.

<u>Rental Housing Development</u> 20% to 40%

Advantageous financing to developers of units with below-market rents. Program includes deferred loans, interest write-downs, and matching funds for State, Federal, and private financing. Activities within this program are classified as projects subject to community planning group review.

<u>Special Purpose Rental Housing</u> 5% to 20%

Advantageous financing to developers of transitional housing or affordable units with related services that serve persons qualifying under federally or locally determined Special Needs or Special Purpose categories. Program includes deferred loans, revocable grants, land banking, matching funds for State, Federal and private financing. Activities within this program are classified as projects subject to community planning group review.

<u>First-Time Homebuyers</u> 5% to 10%

Junior loan/grant and new construction programs targeted toward homes in communities seeking homeownership as a means of neighborhood revitalization or stabilization. Funding for resident organizations establishing limited equity cooperative housing organizations. Funding for mobilehome park resident organizations seeking to buy their mobilehome parks.

<u>Housing Rehabilitation</u> 5% to 15%

Rehabilitation programs that provide below-market interest rate amortizing loans for the rehabilitation of deteriorated or functionally obsolete units. Units must be owner-occupied, single family to four-plex or mobilehome. Activities within this category that finance the rehabilitation of more than 25 units are classified as projects and are subject to community planning group review.

Transitional Housing Operations 10% to 25%

Grants and loans to nonprofit agencies for operation of transitional housing, acquisition or leasing of facilities, or improvements to facilities. No more than 25 percent of Transitional Housing Program funds may be used for administration and supportive services. At least 10 percent of Housing Trust Fund program funds must be dedicated to Transitional Housing activities (operations and development).

Nonprofit Capacity Building 5% to 10%

Programs for nonprofit developers include project-based financial assistance and technical assistance.

Rental Assistance 0% to 5%

A program designed to assist low-income residents achieve self-sufficiency by providing limited amounts of rental assistance.

Reserves and Targets of Opportunity 5% to 10%

A reserve fund that gives the Board the flexibility to transfer resources among eligible activities and to take advantage of low-income housing opportunities that present themselves during the course of the year. The reserve fund also provides for a contingency reserve and allows for reimbursement of housing impact fees when building permits expire without the commencement of work.

Administration 6% to 9%

A fund established to provide reasonable compensation to the City of San Diego and the Housing Commission for services related to the administration of the Housing Trust Fund.

Legal 0% to 1%

ATTACHMENT 1

SAN DIEGO HOUSING TRUST FUND

MODEL PROGRAMS

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

SAN DIEGO HOUSING TRUST FUND

MODEL PROGRAMS

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.

Potential Uses of Housing Trust Fund Money

Serving Homeowners	Serving Renters	Serving the Homeless
30% of the total HTF $	40% of the total HTF $	30% of the total HTF $
• Provide free home repairs – or low interest loans for repairs - for very low income homeowners, especially the elderly • Assist nonprofit homeowner counseling organizations that educate homeowners and potential homeowners about budgeting, the home-buying process, home loans, and home repairs • Create new accessible homes and adapt existing homes so they are accessible to people with disabilities and the elderly • Help nonprofit, for-profit, or local government organizations build affordable for-sale housing; or acquire, rehab and sell existing housing to low and moderate income homeowners	• Help small, lower income landlords to repair and/or provide accessibility modifications to their rental properties that house lower income tenants • Help small, lower income landlords to safely remove lead paint and other health and safety hazards from their properties that house lower income tenants • Help finance nonprofit, for-profit, or local government organizations' work to acquire and rehab boarded and/or dilapidated housing, and rent to lower income renters • Help finance organizations' work to build new affordable, accessible rental housing on vacant lots	• Help finance nonprofit, for-profit, or local government organizations' work to acquire and rehab boarded and/or dilapidated housing, that will then provide either transitional or permanent housing for homeless individuals and families • Assist homeless and formerly homeless people by providing, or providing links to the medical services, counseling, and life-skills training they need, in order to stay off the streets • Help finance nonprofit, for-profit, or local government organizations' work to build new housing, that will then provide either transitional or permanent housing for homeless individuals and families