



NORA VARGAS
VICE-CHAIR
SUPERVISOR, FIRST DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS
AGENDA ITEM

COSD CLERK OF THE BOARD
2022 MAY 16 AM 9:00

DATE: May 24, 2022

TO: Board of Supervisors

04

SUBJECT

**ADVANCING HOME OWNERSHIP OPPORTUNITIES THROUGH AN
INNOVATIVE COMMUNITY LAND TRUST MODEL PILOT PROGRAM
(DISTRICTS: 1)**

OVERVIEW

The County of San Diego (County) is facing a housing and homelessness crisis that can be addressed through the creation of both new affordable housing units and innovative homeownership opportunities. On top of a housing shortage, housing prices have increased, driving both rent and home prices out of reach for many working-class families, while lower-wage workers have fallen even further behind.

By setting funding aside for affordable housing pilot programs, the County can be a leader for housing solutions. The creation of a Community Land Trust (CLT) model proposes a novel partnership between local government and local non-profits to bring transformative change to our region. CLT's are an anti-displacement strategy that will help remove land from the real estate market and secure permanent affordable housing. Casa Familiar, a San Ysidro based community organization, has been committed to serving residents in South San Diego County for 48 years through its dedication to community development. Casa Familiar is introducing an innovative model called Avanzando San Ysidro CLT that will lead to new home ownership opportunities.

Avanzando San Ysidro CLT is a multi-family project that will provide roughly 80-100 affordable units (3-bedroom, 2-bedroom, and 1-bedroom) at 30%-60% area median income (AMI), at three different sites in San Ysidro. The future development will provide affordable housing units with rentable community program space and a Climate Resiliency Park located less than 0.5 miles away. The CLT project would provide ownership or co-op shares opportunities after 15 years of being an affordable housing development through the 15-year Low Income Housing Tax Credit compliance period using a condominium conversion. In this project, equity investors exit after the 15-year period. Rent paid by residents of the project pays down the debt on the units, and at 15 years the units could be sold for the remaining debt to those

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same residents, making them far more affordable than any other home for sale. Casa Familiar has an established footprint in the community that continues to grow (see Attachment A). The organization's long-standing success is attributed to their ability to respond to community needs and provide services that enhance peoples' quality of life. Avanzando San Ysidro CLT is a direct response to the growing need for affordable housing. Casa Familiar has donated land for the construction of this project and is partnering up with strong developers that have a proven record of capacity to complete this project. This model presents an opportunity to create a new program for a local nonprofit to ensure long-term affordability and ownership opportunities for the community.

This board letter includes actions for the Board of Supervisors (Board) to support the predevelopment work of the Avanzando San Ysidro Community Land Trust. The recommendations include \$1.5 million from the approved funds for research and pilot programs from the Innovative Housing Trust Fund to Casa Familiar and authorize the Chief Administrative Officer to enter into negotiations with Casa Familiar.

I strongly urge your support for the recommendations in this letter to ensure that the Board takes a proactive approach through this pilot program to address the housing crisis faced by the County.

**RECOMMENDATION(S)
VICE-CHAIR NORA VARGAS**

1. Reserve \$1.5 million from the Innovative Housing Trust Fund set aside in the Fiscal Year 2021-22 County of San Diego Operational Plan for pilot program to expand opportunities for alternative homeownership models, including Community Land Trusts, with the purpose of increasing homeownership among work-class families and lower workers in District 1. Funds for this request will be reserved for up to 36 months.
2. Direct the Chief Administrative Officer to enter into negotiations with Casa Familiar for a forgivable loan of \$1.5 million for the creation of a land trust project, and return to the Board, upon successful underwriting and financial feasibility analysis, with a proposal for use of the funds, and a forgivable loan agreement with Casa Familiar for approval.

EQUITY IMPACT STATEMENT

The County of San Diego (County) is facing an affordable housing and homelessness crisis that can be addressed through the creation of new affordable housing and homeownership opportunities. Housing affordability and housing insecurity are key drivers of regional and statewide poverty rates. The high cost of housing impacts all San Diegans, but the burden falls disproportionately on low-income households and communities of color, especially young families with children. Inequalities across the housing market have also resulted in impediments to fair housing choices and ownership. Housing unaffordability and access to stable housing is a key driver of the regional homelessness crisis. This project is centered in equity by targeting

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families earning 30-50% of AMI as the priority population. The transition to ownership through this Community Land Trust model will create stable housing options for San Ysidro residents and will directly contribute to building generational wealth.

FISCAL IMPACT

Funds for this request are included in the Fiscal Year 2021-2022 County of San Diego Operational Plan. If approved, this will result in estimated costs and revenue of \$1.5 million for affordable housing projects for predevelopment costs associated with the creation of a pilot Community Land Trust program with Casa Familiar. The funding source is the Innovative Housing Trust Fund allocated specifically for affordable housing purposes for additional innovative and sustainable affordable housing policy research, affordable housing policy development, and implementation and evaluation of affordable housing pilot programs that advance equity, sustainability, and affordability approved by the Board on August 31, 2021 (6). There will be no change in net General Fund costs and no additional staff years

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The County of San Diego (County) is facing a housing and homelessness crisis that can be addressed through the creation of both new affordable housing units and innovative homeownership opportunities. On top of a housing shortage, housing prices have increased, driving both rent and home prices out of reach for many working-class families, while lower-wage workers have fallen even further behind.

Using the existing \$5 million in Innovative Housing Trust Fund dollars allocated specifically for affordable housing purposes for additional innovative and sustainable affordable housing policy research, affordable housing policy development, and implementation and evaluation of affordable housing pilot programs that advance equity, sustainability, and affordability approved by the Board on August 31, 2021 (6), San Diego County can be a leader in housing solutions. Innovative solutions call for innovative thinking, and local government partnering with local non-profits for housing solutions can bring transformative change to our region. CLT is an anti-displacement strategy that helps land from the real estate market remain accessible and affordable. The CLT land is legally separated from the housing and amenities (improvements) on it and held in trust. All improvements on the CLT are governed by a board of resident stakeholders, and a ground lease, that dictate the terms of sales and rents to keep them affordable. This allows for the initial investments and subsidy to remain in the project while market prices continue to rise. The goal of the CLT model is to ensure permanent affordability and create long-lasting community control of the land.

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Casa Familiar, a San Ysidro based community organization has been dedicated to serving residents in South San Diego County. For the last 48 years, Casa Familiar is the leading service and community development organization in the community of San Ysidro, providing over 40 bilingual programs and services at six different sites in the community. Casa Familiar's mission is to enhance quality of life for low-income individuals and families through Advocacy, Social Services, Education, Affordable Housing, Arts and Culture, and Community and Economic Development. Casa Familiar has vast experience being a partner in developing high quality affordable housing projects in the neighborhood's it serves. In addition, Casa Familiar owns, operates, and manages their housing complexes that serve low-income residents.

Casa Familiar is working on the Avanzando San Ysidro CLT, an innovative project that would be the first of its kind in the California's community land trust network. This project will be located in the San Ysidro community neighborhood of Census Tract 100.13, which is one of the lowest income census tracts in the County. The project would be constructed as 80-100 rental units across three sites in San Ysidro and financed through the Low-Income Housing Tax Credits (LIHTC). There are three separate properties donated by Casa Familiar which will be combined into two sites for the project - a total value of \$1.8 million ranging in sizes from 14,777 SF - 28,314 SF. The tax-exempt bond and low-income housing tax credit programs are generally understood to be rental housing projects. However, program regulations allow for conversion to homeownership after the initial 15-year federal compliance period.¹

The Avanzando San Ysidro CLT would convert to ownership, or co-op shares, after the 15-year tax credit compliance period. Residents would purchase their 1-, 2- or 3 -bedroom unit, or co-op share, for the cost of the remaining debt. Families earning 30-50% of AMI are the priority population for this project because they have the greatest need in the neighborhood. After reaching the 15-year tax credit compliance period, residents would begin to purchase their 1-, 2-, or 3-bedroom homes using a condominium conversion.

In a financial analysis conducted by Casa Familiar, the Affordable Sales Price estimated for the Avanzando San Ysidro CLT project at the 15-year mark is estimated to be \$341,526 to \$501,452, keeping this project affordable and well below the anticipated market value. Tax credit regulations require projects intended for homeownership conversion to provide residents homeownership counseling, of which Casa Familiar has experience providing and would commit to imparting for this project. Additionally, Casa Familiar's services will help residents access financial programs that would prepare them to enter a mortgage at the 15-year conversion. This transition to ownership will create stable housing options that are currently out of reach for most of San Ysidro's residents and will directly contribute to building generational wealth and economic prosperity.

¹ " CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE REGULATIONS IMPLEMENTING THE FEDERAL AND STATE LOW INCOME HOUSING TAX CREDIT LAWS ." CTCAC, 16 June 2021, <https://www.treasurer.ca.gov/ctcac/>.

"CALIFORNIA DEBT LIMIT ALLOCATION REGULATIONS." CDLAC, 1 Feb. 2021, [CDLAC Committee Regulations \(ca.gov\)](https://www.cdla.org/CDLAC-Committee-Regulations) Regulations Section 5192 (a) (b)

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This pilot project would be built on a CLT in San Ysidro that is currently being formed, in order to ensure that this subsidy would stay in the community for perpetuity (rather than just 55 years). Owners could sell the units if they wish, but only at an affordable price (plus a modest amount of appreciation) predetermined by the CLT ground lease. This program presents an opportunity to create a new program for a local nonprofit to ensure long-term affordability of existing housing units at minimal cost to the County.

On August 31, 2021, the Board of Supervisors set aside \$5 million for a housing fund related to research and pilot programs. This proposed CLT is exactly the kind of innovative project that can be supported through this fund. To kick start this CLT, \$1.5 million should be allocated to help support predevelopment that includes architecture, engineering, and community engagement.

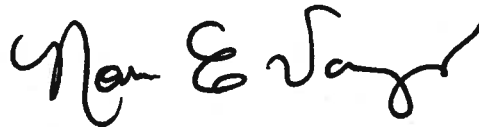
This board letter includes actions for the Board of Supervisors (Board) to support the predevelopment work of the Avanzando San Ysidro CLT. The recommendations include \$1.5M from the approved funds for research and pilot programs from the Housing Trust Fund to Casa Familiar and authorize the Chief Administrative Officer to enter into negotiations with Casa Familiar and evaluate the financial feasibility of the overall CLT proposal through underwriting. Financial feasibility should include potential financing sources for the acquisition of land and construction and contemplate compliance with long-term affordable housing compliance upon completion of the tax credit period.

I strongly urge your support for the recommendations in this letter to ensure that the Board takes a proactive approach to address the housing crisis faced by the county through this pilot program with Casa Familiar.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

The requested action supports the County's 2022-2027 Strategic Plan initiatives of Equity, Empower and Community as it is ensuring more innovative housing models through community land trust and homeownership opportunities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Nora E. Vargas", written in a cursive style.

NORA VARGAS
Supervisor, First District

ATTACHMENT(S)
Map of Casa Familiar's Properties