OTAY RANCH VILLAGE 8 WEST
Affordable Housing Program

Appendix H

February 2020

Prepared for:

HomeFed Village 8, LLC
1903 Wright Place, Suite 220
Carlsbad, CA 92008

Adopted December 17, 2013
By Resolution No. 2013-270

Amended February 18, 2020
By Resolution No. 2020-033

This Page Intentionally Left Blank

Table of Contents

I. INTRODUCTION

A. Purpose and Content 1

B. Needs Assessment 1

II. VILLAGE 8 WEST AFFORDABLE HOUSING OBLIGATION, LOCATION, PHASING, DESIGN AND UNIT MIX 3

A. Obligation 3

B. Types of Affordable Housing 3

C. Location 4

D. Phasing 5

E. Design 5

F. Unit Mix by Bedroom Count 7

G. Senior Housing 7

III. AFFORDABLE HOUSING RESTRICTIONS 7

A. Income Eligibility 7

B. Affordable Housing Costs 8

C. Underwriting Requirements 9

D. Resale Provisions of Owner Occupied Housing 9

E. Term of Affordability Restrictions 9

IV. SUBSIDIES, INCENTIVES AND FINANCING MECHANISMS 10

A. Density Bonus 10

V. COMPLIANCE 10

VI. AFFIRMATIVE MARKETING PLAN 10

VII. IMPLEMENTING AGREEMENTS AND CONDITIONS 11

VIII. DEFINITIONS 11

I. INTRODUCTION

A. Purpose and Content

The purpose and intent of this Affordable Housing Program (AHP) is to encourage the development of diverse and balanced neighborhoods with a range of housing opportunities for all identifiable economic segments of the population, including households of lower and moderate income consistent with the City's housing policies and needs as specified in its General Plan Housing Element. The intent is to ensure that when developing the limited supply of developable land, housing opportunities for persons of all income levels are provided. The provisions of this AHP establish standards and procedures that will encourage the development of housing affordable to low and moderate income households within the Sectional Planning Area (SPA).

The AHP identifies the type and location of affordable housing units to be provided, potential subsidies or incentive programs, income restrictions and methods to verify compliance. The program may be implemented through various mechanisms including development agreements, tentative map conditions, and specific housing project agreements that may include additional terms and conditions, consistent with this program.

B. Needs Assessment

According to San Diego Association of Government's (SANDAG) Preliminary 2050 Cities/Counties Forecast, Chula Vista is expected to gain 92,454 new residents and 28,755 new households. Furthermore, SANDAG, through its Regional Housing Needs Allocation, estimated that based on anticipated economic growth for the period beginning January 1, 2010 to December 31, 2020, the City would experience a demand for 12,125 new housing units, of which 6,303 new housing units affordable to low and very low income households and 2,220 new housing units for moderate income households.

To encourage the development of adequate housing to meet the needs of low and moderate-income households and to further geographic and community balance, the City's adopted Housing Element provides for a Balanced Communities Policy, requiring ten percent (10%) affordable housing for low and moderate income households within developments of fifty (50) or more residential units. This inclusionary housing program will serve as only one component of the City's overall housing strategy and will complement other affordable housing efforts, including preservation of existing assisted housing, development of new assisted housing with public subsidies, first-time homebuyer assistance, and rehabilitation loans for low income homeowners. The City does find that such an inclusionary housing policy is beneficial to increasing the supply of housing affordable to households of lower and moderate income incomes and to meet the City's regional share of housing needs given the demographics of the community and its needs, past housing production

performance, and the existing opportunities and constraints as detailed in its Housing Element.

The current characteristics of the City's population, housing, employment, land inventory, and economic conditions, that affect its housing goals, policies and programs include:

- The population has more diversity in race/ethnicity than the region, in that 20% of the population is white (non-Hispanic) and 60% is Hispanic (all races). This compares to - percent and - percent, respectively, for the region as a whole.
- Chula Vista residents have household income characteristics that nearly match the regional median.
- There is a disparity in household median income for those households living west of Interstate-805 ($47,969) and east of Interstate-805 ($86,032).
- One in every 4 households earns less than $35,000 per year.
- Household size is slightly larger than the region, at 3.21 persons per household compared to 2.75 per household for the region.
- Seniors, aged 65 years or older, comprise 10% of the total households.
- Housing west of Interstate-805 was built primarily before 1980 (32% before 1960 and 50% between 1960-1980). Housing east of Interstate-805 was built after 1980, with 41% built between 1980-2000, and 50% built after 2000.
- Housing types are diverse west of I-805, with 41% multifamily housing and 41% single family housing. Single family homes comprise the majority of housing available east of I-805 (82% of housing).
- A home ownership rate of 58.1% lightly above as the region's rate of 54%.
- The median housing cost (resale) in 2011 of $305,000 is $15,000 less than the region's median cost of $320,000.
- The well-established neighborhoods and master planned neighborhoods create different opportunities and require a different set of policies and programs to address housing needs.
- The amount of land in the City available for new residential development is severely limited by geography and size. The largest supply of vacant developable land is planned for master planned communities.
- A high rate of new home construction is anticipated due to the many approved master planned communities in the City.
- Reinvestment in the well-established neighborhoods of Chula Vista continues to be needed.

- The City's diverse employment base will grow by more than 73% between 2008 and 2050, with the majority of growth in the retail, service and governmental sectors.
- Based upon past production of housing, sufficient housing opportunities for households with incomes at or below the Area Median Income have not been provided.
- Despite substantial investments of Federal HOME funds and funding from the Redevelopment Agency's Low and Moderate Income Housing Fund (prior to the dissolution of Redevelopment), the City has not been able to produce all the units called for in the Regional Housing Needs Allocation.

Chula Vista faces a growing shortage of housing that is affordable to a wide range of our population and needed for a healthy functioning housing market. This lack of affordable housing is detrimental to the health, safety and welfare of the City's residents. Employees may be forced to live in less than adequate housing within the City, pay a disproportionate share of their incomes to live in adequate housing within the City or commute increasing distances to their jobs from housing located outside the City. The City's Balanced Communities Policy can enhance the public welfare by increasing the supply of housing affordable to households of lower and moderate income incomes in a balanced manner and thereby combating the adverse effects to the City due to an insufficient supply of affordable housing.

II. VILLAGE 8 WEST AFFORDABLE HOUSING OBLIGATION, LOCATION, PHASING, DESIGN AND UNIT MIX

A. Obligation

The City of Chula Vista Housing Element, Guidelines to the Balanced Communities Policy, and the Otay Ranch GDP provide that ten percent of the total units will be affordable to low and moderate income households. Of the ten percent, five percent must be affordable to low income households and five percent must be affordable to moderate income households. In calculating the required number of affordable units, fractional units may result and may either be provided as one additional affordable unit or paid as a partial in-lieu fee equal to the resulting fraction.

The estimated Village 8 West affordable housing unit obligation is based on the Village 8 West SPA entitlement authorization of 2,334 units resulting in an obligation to provide 117 low income and 117 moderate-income affordable units.

B. Types of Affordable Housing

The housing policies established in the City of Chula Vista Housing Element advocate a broad variety and diversity of housing types. The affordable housing obligations of Village 8 West will be met through a combination of housing types including rental and "for-sale" housing. In general, low-income housing needs will

be satisfied through the provision of rental units. Depending upon the availability of adequate subsidies, incentives or other financing assistance, a limited number of "for-sale" multi-family housing units affordable to low income households may be available as well.

Housing opportunities to meet the needs of moderate income households will be provided through a combination of market-rate rental units as well as "for-sale" housing in medium-high to higher density developments.

C. Location

The location of affordable housing developments shall take into consideration proximity to and availability of the following:

- Existing or proposed public transit facilities or transportation routes;
- Existing or proposed community facilities and services, such as shopping, medical, child care, recreation areas and schools; and
- Existing or future employment opportunities.

Affordable housing sites within Village 8 West are designated as multifamily and/or mixed use development sites and are located within or adjacent to the Village Core, as depicted in Exhibit 1: Potential Affordable Housing Sites. These sites are in close proximity to parks, schools, public transportation, retail commercial and community purpose facilities. .

Identification of potential target sites in this Affordable Housing Program describes one way in which the Village 8 West affordable housing obligation might be met, and is not meant to require that affordable units be constructed on any specific sites or to preclude other alternatives. A final determination as to the location and type of the affordable housing sites will occur with subsequent entitlements, approvals and agreements and shall be in compliance with the City's goals, policies and programs contained within the General Plan, the Balanced Communities Policy Guidelines and the Otay Ranch General Development Plan (GDP).

D. Phasing

Development of Village 8 West will be completed in multiple phases to ensure construction of necessary infrastructure and amenities for each phase as the project progresses. The Phasing Plan is non-sequential. This recognizes that sequential phasing is frequently inaccurate due to unforeseen market changes or regulatory constraints. Therefore, the Village 8 West SPA Plan and Public Facilities Finance Plan (PFFP) permits non-sequential phasing by imposing specific facilities requirements for each phase to ensure that Village 8 West is adequately served and City threshold standards are met.

A phased approach will also be used to ensure the implementation and production of low and moderate-income housing units commensurate with the phasing of market rate residential units within Village 8 West. Phasing of the low and moderate income units in Village 8 West is designed to link progress toward the production of such housing to the continued entitlement and development process for the Village 8 West SPA Area. The first or "Initial Phase" for construction of the low and moderate-income housing units shall be comprised of 100% of the required 117 qualified low-income housing units and shall commence construction prior to the issuance by the City of the 1,167th production building permit within Village 8 West ("Initial Phase"). Construction of the remaining number of required 117 moderate-income housing units shall commence prior to the City's issuance of the 2,100th production building permit ("Final Phase"). A detailed implementation schedule and building permit stipulations for the construction and delivery of affordable units in relation to other market rate units will be established through an Affordable Housing Agreement. Such Agreement will be executed prior to the issuance of the first Final Subdivision Map and recorded against the entire Village.

E. Design

Affordable housing shall be compatible with the design and use of the market rate units, in terms of appearance, materials, and finish quality. The Developer shall have the option of reducing the interior amenities, levels and square footage of the affordable units.

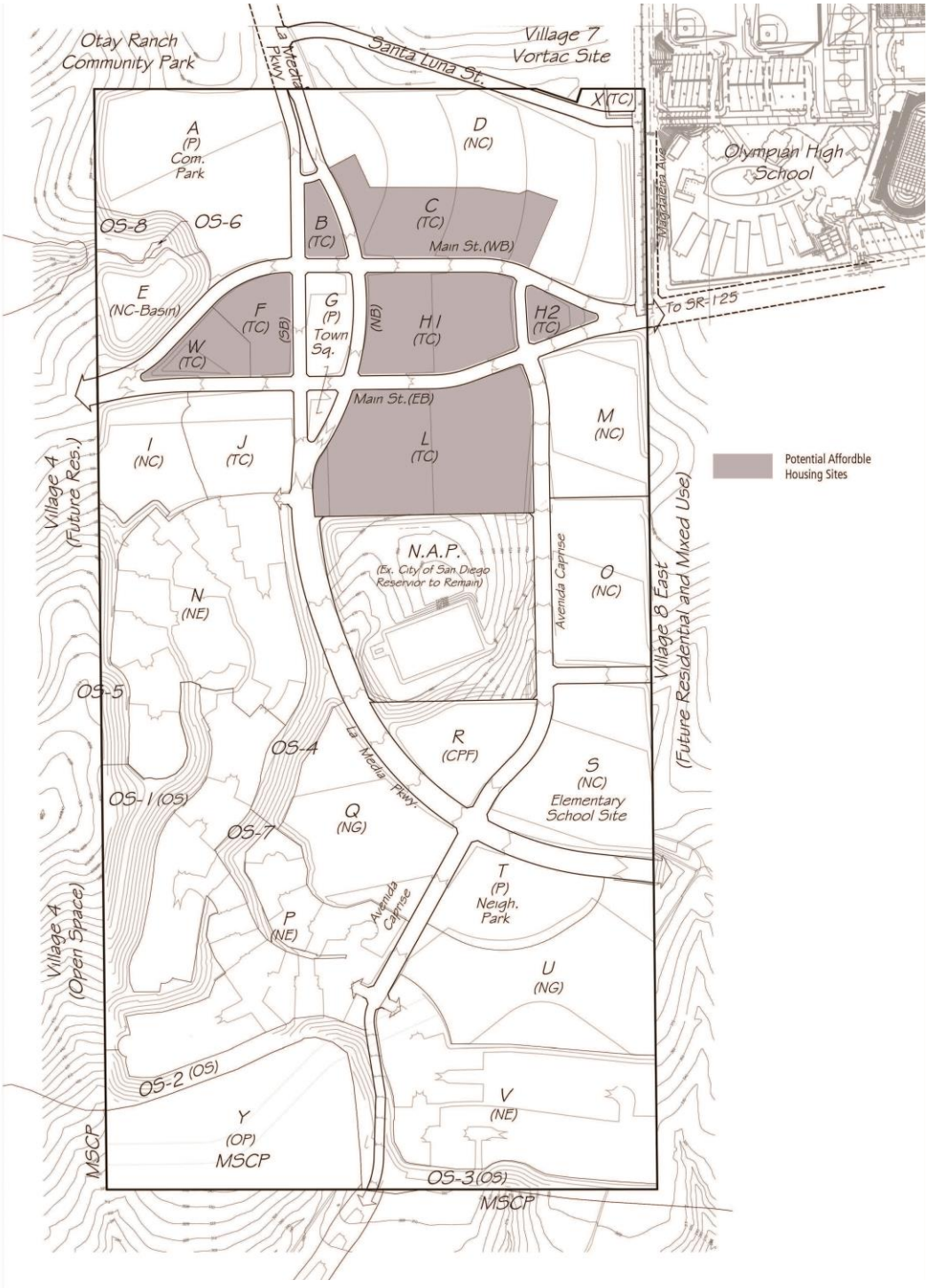


Exhibit 1: Potential Affordable Housing Sites

F. Unit Mix by Bedroom Count

The affordable units shall have an overall unit mix by bedroom count which reflects the appropriate community need and shall be comparable to the unit mix by bedroom count of the market rate units in the residential development. Given that 21 percent of the households in Chula Vista (according to the 2010 Census) are large families of five persons or more and a desire on the part of the City to provide housing opportunities for these families throughout the City, a minimum of twenty percent (20%) of the affordable units shall have three or more bedrooms. Affordable housing to be sold and occupied by income eligible households (for sale units) shall also provide a minimum of two bedrooms.

G. Senior Housing

Satisfaction of the affordable housing obligation through the provision of housing for senior citizens as defined by Section 51.3 of the California Civil Code, is at the sole discretion of the City of Chula Vista. The City shall consider such housing in relation to the priority needs of the City's low income housing population and should such provide advantages as to location, diversity of housing types, and/or affordability levels. Senior housing is exempt from requirements to provide three or more bedroom units.

III. AFFORDABLE HOUSING RESTRICTIONS

A. Income Eligibility

To determine the eligibility of a household for the low and/or moderate income housing unit, the household purchasing or renting the affordable unit must qualify as a lower income/moderate income household, as established by and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, as published by the U.S. Department of Housing and Urban Development (HUD), and as also provided in California Health and Safety Code Sections 50079.5 and 50105.

For projects that utilize Tax Exempt Bond Financing (Bond) and Low Income Housing Tax Credits (LIHTC) those respective income and rent limits would apply if the Developer does not request financial assistance and/or incentives from the City. This includes the use of Density Bonus, Low and Moderate Income Housing Fund, federal HOME or CDBG funds. If incentives and/or financial assistance is requested, then the most restrictive rent and income limits would apply (rather than solely relying on Bond or LIHTC rent and income). If the project does not utilize Bond or LIHTC financing then the rents default to California Health and Safety Code per Section III B. Affordable Housing Costs of the Agreement.

B. Affordable Housing Costs

The allowable housing expense paid by a qualifying household shall not exceed a specified fraction of the gross monthly income, adjusted for household size, for the following classes of housing:

1. Very low-income, rental and for-sale units: 30 percent of the gross monthly income, adjusted for household size, at 50 percent of the Area Median Income (AMI) for San Diego County, or as provided in Section 50053 (b)(2) and 50052.5 (b)(2) of the California Health and Safety Code.
2. Lower-income, rental units: 30 percent of the gross monthly income, adjusted for household size, at 60 percent of the Area Median Income (AMI) for San Diego County, or as provided in Section 50053 (b)(3) of the California Health and Safety Code.
3. Lower-income, for-sale units: 30 percent of the gross monthly income, adjusted for household size, at 70 percent of the Area Median Income (AMI) for San Diego County or as provided in Section 50052.5 (b) (3) of the California Health and Safety Code.
4. Moderate-income, rental units: 30 percent of the gross monthly income, adjusted for household size, at 110 percent of the Area Median Income (AMI) for San Diego County or as provided in Section 50053 (b)(4) of the California Health and Safety Code.
5. Moderate-income, for-sale units: 35 percent of the gross monthly income, adjusted for household size, at 110 percent of the Area Median Income (AMI) for San Diego County or as provided in Section 50052.5 (b)(4) of the California Health and Safety Code.

To determine the "Allowable housing expense" include all of the actual or projected monthly or annual recurring expenses required of a household to obtain shelter.

1. For a for-sale unit, allowable housing expenses include payments for principal and interest on a mortgage loan, including any loan insurance fees, property taxes and assessments, fire and casualty insurance, homeowner association fees, and a reasonable allowance for utilities, or as defined in 25 California Code of Regulations Section 6920.
2. For a rental unit, allowable housing expenses include payments for rent and a reasonable allowance for utilities, or as defined in 25 California Code of Regulations Section 6918.

C. Underwriting Requirements

To ensure the preservation of affordability of proposed low and moderate-income housing and financial viability of program participants, the City shall encourage the following policies:

- Fixed rate mortgages only. No adjustable rate mortgages;
- Affordable monthly housing payments shall be consistent with Section III B. Affordable Housing Costs ("Front End Ratio").
- Total debt payments no more than 45 percent of household income ("Back End Ratio").
- No "teaser" rates; and,
- No non-occupant co-borrowers.

D. Resale Provisions of Owner Occupied Housing

In order to ensure the continued affordability of the units, resale of the units must be restricted for the required term of fifty-five (55) years. After initial sale of the affordable units to a low-income household, all subsequent buyers of such units must also be income eligible and the unit must be sold at an affordable price. A developer may opt to have no income or sales price restriction for subsequent buyers, provided however that restrictions to the satisfaction of the City are in place that would result in the recapture by the City or its designee of a financial interest in the units equal to the amount of subsidy necessary to make the unit affordable to a low income household and a proportionate share of any equity. Funds recaptured by the City shall be used to provide assistance to other identified affordable housing production or contributions to a special needs housing project or program. To the extent possible, projects using for-sale units to satisfy the obligations of developers under the City's Affordable Housing Program shall be designed to be compatible with conventional mortgage financing programs including secondary market requirements.

E. Term of Affordability Restrictions

The term of the affordability restrictions shall be fifty-five years (55) years from issuance of the Certificate of Occupancy for the first structure providing income and rent restricted units, or the longest period of time if required by the construction or mortgage financing assistance program, mortgage insurance program, or rental financing subsidy or incentive program. The term of affordability and resale restrictions for affordable for-sale units are more appropriately described above in "Resale Provisions of Owner Occupied Housing."

IV. SUBSIDIES, INCENTIVES AND FINANCING MECHANISMS

The obligation to provide affordable housing shall not be dependent upon the availability of subsidies, incentives or financing mechanisms. The City shall consider providing incentives, assistance, and subsidies to those qualifying projects and supporting any applications for assistance that requires approvals from, or allocations by other agencies, to the extent feasible, in a manner that offsets the cost of providing for affordable units. Offsets will be offered by the City to the extent that resources and programs for this purpose are available to the City and to the extent that the qualifying projects, with the use of the offsets, assists in achieving the City's housing goals. To the degree such offsets are available, the Developer may make application to the City. The City agrees to use its reasonable best efforts to assist the Developer in pursuing the benefit of certain financing mechanisms, subsidies and other incentives to facilitate provision of affordable housing for Village 8 West. These mechanisms include, but are not limited to, local, state and federal subsidies and City density bonuses, planning, and design and development techniques and standards, and City fee waivers or deferrals which reduce the cost of providing affordable housing (collectively, the "Cost Reducing Mechanisms").

The parties acknowledge that the City is not hereby committing, directly or through implication, a right to receive any offsets from City or any other party or agency to enable the Developer to meet the obligations and cannot guarantee the availability of any Cost Reducing Mechanisms to the Developer for Village 8 West. The City reserves the right to approve, approve with conditions or disapprove, in its sole discretion, any Developer request for subsidized financing sponsored by the City.

A. Density Bonus

Projects that meet the applicable requirements of State law (Government Code Section 65915) as a result of affordable housing units, are entitled to a density bonus or other incentives in accordance with the provisions of such law.

V. COMPLIANCE

Terms related to occupancy and affordability restrictions shall be recorded as a separate deed restriction or regulatory agreement on the property designated for the affordable units and shall bind all future owners and successors in interest for the term of years specified therein.

The City shall monitor affordable units for compliance with those terms and conditions of all relevant Affordable Housing Agreements or other restrictions. The Developer shall submit compliance reports in the frequency and manner prescribed by the City of Chula Vista Development Services Department.

VI. AFFIRMATIVE MARKETING PLAN

The Developer shall provide a marketing plan acceptable to the City, in the City's reasonable discretion, for proactively marketing the low and moderate income

housing units to low and moderate income tenants and purchasers. Developer shall use good faith and reasonable best efforts to market the low and moderate income housing units to low and moderate income tenants and purchasers according to the affirmative marketing plan. The City will use good faith and reasonable best efforts to assist the Developer in marketing low and moderate income housing units to low and moderate income tenants and purchasers obtaining the services of a third-party organization in connection with such marketing efforts, processing the applications of prospective tenants and purchasers of low and moderate income housing units, and complying with the reporting requirements as required herein.

VII. IMPLEMENTING AGREEMENTS AND CONDITIONS

This AHP may be implemented through various mechanisms including development agreements, tentative map conditions, and specific housing project agreements that may impose additional terms and conditions consistent herewith.

VIII. DEFINITIONS

Affirmative Marketing Plan

An outline that details actions the Developer will take to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, sex, sexual orientation, marital status, familiar status, color, religion, national origin, ancestry, handicap, age, or any other category which may be defined by the law now or in the future.

Low Income Household

A household of persons who claim primary residency at the same unit with combined incomes that are greater than 50%, but not more than 80% of the Area Median Income for the San Diego area based on household size as determined annually by the U.S. Department of Housing and Urban Development (HUD). Household size is calculated by the number of persons residing at the same unit as their primary residency.

Moderate Income Household

A household of persons who claim primary residency at the same unit with combined incomes between 80% to 120% of the Area Median Income for the San Diego area based on household size as determined annually by the U.S. Department of Housing and Urban Development (HUD). Household size is calculated by the number of persons residing at the same unit as their primary residency.

San Diego Area Median Income

The San Diego County area median income level as determined from time to time by HUD, based on household size.

Subsidized Financing

Any financing provided by any public agency specifically for the development and construction of low or moderate income housing units, including but not limited to the following:

- Low Income Housing Tax Credits (LIHTC) – statewide competition;
- Housing Bonds – State;
- Housing Bonds – City of Chula Vista;
- HOME – City of Chula Vista and County of San Diego;
- Community Development Block Grants – City of Chula Vista; and,
- Other Public Financing – State and Federal.