

# **AFFORDABLE HOUSING PROGRAM**

## **Village Seven Sectional Planning Area (SPA)**

Approved by the Chula Vista City Council

Resolution No. 2004-329

Date: October 12, 2004

Amended by Resolution No. **xxxx-xx**

Date: **xx, xx, xxxx**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 3  
    A. Purpose and Content..... 3  
    B. Needs Assessment..... 3

II. VILLAGE SEVEN AFFORDABLE HOUSING OBLIGATION, LOCATION, PHASING, DESIGN, AND UNIT MIX ..... 6  
    A. Obligation ..... 6  
    B. Types of Affordable Housing ..... 6  
    C. Location ..... 6  
    D. Phasing ..... 7  
    E. Design ..... 7  
    F. Unit Mix by Bedroom Count ..... 7

III. AFFORDABLE HOUSING RESTRICTIONS ..... 8  
    A. Income Eligibility ..... 8  
    B. Affordable Housing Costs..... 8  
    C. Underwriting Requirements ..... 9  
    D. Affordability Term of Owner-Occupied Housing ..... 9  
    E. Term of Affordability Restrictions..... 9

IV. SUBSIDIES, INCENTIVES, AND FINANCING MECHANISMS ..... 11  
    A. Density Bonus ..... 11

V. COMPLIANCE REPORTING ..... 12

VI. AFFIRMATIVE MARKETING PLAN ..... 12

VII. IMPLEMENTING AGREEMENTS AND CONDITIONS ..... 12

VIII. DEFINITIONS..... 13



## I. INTRODUCTION

### A. PURPOSE AND CONTENT

The purpose 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 of the AHP 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 that is affordable to low- and moderate-income households within the Sectional Planning Area (SPA), consistent with the Housing Element's Balanced Communities Policy and the adopted Guidelines.

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

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 a Balanced Communities Policy, which requires ten (10) percent 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 finds that such an inclusionary housing policy is beneficial to increase the supply of housing that is affordable to households of lower and moderate incomes as well as 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 Balanced Communities Policy is necessary to meet the objectives of State Housing Element law requiring jurisdictions to affirmatively further fair housing by "taking meaningful actions that overcome patterns of segregation and foster inclusive communities" and "address significant disparities in housing needs and in access to opportunity.

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 a larger concentration of Hispanic/Latino residents than other parts of the region, in that seventeen percent (17%) of the population is white (non-Hispanic) and sixty percent (60%) is Hispanic (all races). This compares to forty three (43%) percent and thirty four (34%) percent, respectively, for the region as a whole.
- There is a disparity in household median income from west to east of I-805. Forty-four percent (44%) of Chula Vista's housing earn below the San Diego Area median income with the majority of such households living west of Interstate-805, with 12 percent of the households living below the federal poverty line. The average household east of Interstate-805 earns above the San Diego County median income of \$74,855 (2017).
- Household size is slightly larger than the region, at 3.3 persons per household compared to 2.8 per household for the region.
- Seniors, aged 62 years or older, comprise 12 percent of the total households.
- Housing west of I-805 was built primarily before 1980, with 32 percent built before 1960 and 50

percent between 1960 and 1980. Housing east of I-805 was built primarily after 1980, with half of such housing built between 1980 and 2000.

- Housing types are diverse west of I-805, with 41 percent multi-family housing and 41 percent single-family housing. Single-family homes comprise the majority of housing available east of I-805 (82 percent of housing).
  - With single family homes dominating the landscape east of I-805, housing is predominately owner occupied. West of I-805, housing is primarily renter occupied.
  - The median housing cost (resale) in December 2019 of single-family housing is \$660,000 for zip codes 91913-91915, \$26,250 more than the region’s median cost of \$633,750 for resale single-family homes.
- 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 reserved 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 while maintaining a mix of housing options.
- 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.

Chula Vista faces a growing shortage of housing that is affordable to a wide range of its population and is 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; local 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 aims to enhance public welfare by increasing the supply of housing affordable to households of lower and moderate incomes in a balanced manner, thereby combating the adverse effects to the City due to an insufficient supply of affordable housing.

## **II. VILLAGE SEVEN 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 General Development Plan (GDP) provide that 10 percent of the total units in a development project will be affordable to low- and moderate-income households. Of the 10 percent, 5 percent must be affordable to low-income households and 5 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 Seven affordable housing unit obligation is based on the Village Seven SPA entitlement authorization of 1,456 units within the village. The resulting affordable units required for Village Seven are 73 low-income and 73 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 remaining affordable housing obligations of Village Seven may be met through a combination of housing types including rental and for-sale housing. In general, low-income housing needs are planned to 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.

While Accessory Dwelling Units (ADUs) may provide for housing at a lower cost, ADUs shall not be used for satisfaction of the Balanced Communities affordable housing obligation. Given the significant need for rental housing opportunities for lower income households, particularly with larger households, ADUs provide a limited benefit in addressing this need.

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, childcare, recreation areas, and schools; and
- Existing or future employment opportunities.

Affordable housing units required for Village Seven may be located either within or outside of the plan area. Affordable housing to accommodate low-income households may be provided within rental housing developments. For-sale units that are affordable to moderate-income households may be available as well. Consideration of appropriate locations shall be identified in the Affordable Housing Agreement.

Evaluation of alternate locations should include an analysis of the specific benefit to be gained from development of such a replacement site, including such factors as an increase in the number of affordable units, deeper affordability levels, or the earlier satisfaction of the affordable housing requirement.

The identification of potential target sites in this AHP demonstrates one way in which the Village Seven affordable housing obligation might be met, and is not meant to require that affordable units be constructed on any specific sites nor to preclude other alternatives. Such alternatives might include, for example, the aggregation of rental housing affordable to low-income households within the mixed-use site, or as a separate component of another development site. A final determination as to the location and type of the affordable housing sites will occur with subsequent entitlements, approvals, and agreements and shall comply 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 Seven 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, since it is recognized that sequential phasing is frequently inaccurate due to unforeseen market changes or regulatory constraints. Therefore, the Village Seven SPA Plan and Public Facilities Finance Plan (PFFP) permit non-sequential phasing by imposing specific facilities requirements for each phase to ensure that Village Seven is adequately served and that City threshold standards are met.

Detailed schedules and building permit stipulations for the construction of affordable units in relation to other market rate units will be established through the initial Affordable Housing Agreement. The Affordable Housing Agreement must be in place prior to the approval of the first Final Subdivision Map and recorded against the entire Village.

The developer shall diligently pursue completing construction of the low- and moderate-income housing units as per the implementation schedule established by the initial Affordable Housing Agreement.

#### **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 and square footage of the affordable units.

#### **F. UNIT MIX BY BEDROOM COUNT**

The affordable units shall have an overall unit mix by bedroom count that 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.

#### **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 a low- or moderate-income housing unit, the household purchasing or renting the affordable unit must qualify as a lower or moderate-income household, as established and occasionally amended by Section 3 of the United States Housing Act of 1937, published by the US Department of Housing and Urban Development (HUD), and also provided in California Health and Safety Code Sections 50079.5 and 50105.

#### B. AFFORDABLE RENT AND AFFORDABLE HOUSING COSTS

The allowable housing expense paid by a qualifying household shall not exceed a specified percentage of the household's gross monthly income, adjusted for household size, as listed below for the following classes of housing:

**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)(3) and 50052.5(b)(2) of the California Health and Safety Code

**Lower Income – rental units:** 30 percent of the gross monthly income, adjusted for household size, at 60 percent of the AMI for San Diego County, or as provided in Section 50053(b)(4) of the California Health and Safety Code.

**Lower Income – for-sale units:** 30 percent of the gross monthly income, adjusted for household size, at 70 percent of the AMI for San Diego County, or as provided in Section 50052.5(b)(3) of the California Health and Safety Code.

**Moderate Income – rental units:** 30 percent of the gross monthly income, adjusted for household size, at 110 percent of the AMI for San Diego County, or as provided in Section 50053(b)(5) of the California Health and Safety Code.

**Moderate Income – for-sale units: 28 to 35** percent of the gross monthly income, adjusted for household size, at 110 percent of the 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, as described in California Code of Regs, Title 25, Section 6920.



2. For a rental unit, allowable housing expenses include payments for rent and a reasonable allowance for utilities, as described California Code of Regs, Title 25, Section 6918.

Should subsidized financing or other incentives from a public agency be proposed and obtained, the monthly affordable rent shall be dictated by such program or granting agency. If no affordable rent is specified, affordable monthly rents shall be established in accordance with Section 50053 of the California Health and Safety Code.

### **C. UNDERWRITING REQUIREMENTS (Homeownership)**

To ensure the preservation of affordable proposed low- and moderate-income housing and the financial viability of program participants, the City shall encourage the following policies, consistent with the City's adopted City Council Policy 453-02:

- Fixed-rate mortgages only (i.e. no adjustable-rate mortgages)
- Affordable monthly housing payments no more than 30 percent of household income ("Front End Ratio")
- Total debt payments no more than 45 percent of household income ("Back End Ratio")
- No "teaser" rates
- No non-occupant co-borrowers

### **D. AFFORDABILITY TERM OF OWNER OCCUPIED HOUSING**

In order to ensure the continued affordability of the units, owner-occupied units must be restricted for the required term of forty-five (45) years. Consistent with City Council Policy 453-02, Development of Affordable for Sale Housing for Low- and Moderate-Income Buyers, as it may be amended by the Chula Vista City Council from time to time, 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 will be recorded on the property, which will 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 to provide 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 AHP shall be designed to be compatible with conventional mortgage financing programs including secondary market requirements.

### **E. AFFORDABILITY TERM OF RENTAL UNIT RESTRICTIONS**

The term of the affordability restrictions shall be fifty-five (55) years from issuance of the Certificate of Occupancy for the first structure providing income and rent restricted units, consistent with required terms under State housing programs, or the longest period of time allowed by the construction or mortgage financing assistance program, mortgage insurance program, or other rental financing subsidy or incentive/concession/waiver program from a public agency. The most restrictive term of the affordability shall apply.

#### **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 require approvals from or allocations by other agencies, to the extent feasible, in a manner that offsets the cost of providing 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, assist in achieving the City's housing goals. To the degree such offsets are available, the Developer may submit application to the City.

The parties acknowledge that the City is not hereby committing, directly or through implication, a right to receive any offsets from the 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 Seven. 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 of California 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 REPORTING**

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, for the City's reasonable discretion, to proactively market 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 that the Developer will take to provide information and otherwise attract eligible persons in the housing market area to the available affordable housing without regard to race, sex, sexual orientation, marital status, familial 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:

Low Income Household has the meaning set forth in California Health and Safety Code Section 50079.5 for “Lower income households”. Maximum incomes for Low Income Households (also referred to as Lower Income Households) shall be as published annually by HCD for San Diego County.

### Moderate-Income Household:

Moderate-Income Household has the meaning set forth in California Health and Safety Code Section 50093 for “Persons and families of low or moderate income”. Maximum incomes for Moderate Income Households shall be as published annually by HCD for San Diego County.

### San Diego Area Median Income (AMI):

Area median income, applicable to San Diego, as published annually by the California Department of Housing and Community Development (“HCD”) pursuant to California Health and Safety Code Section 50093.

### 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 of California
- Housing Bonds – City of Chula Vista
- Redevelopment Low and Moderate-income Housing Fund – Redevelopment Agency
- HOME – City of Chula Vista and County of San Diego
- Community Development Block Grants – City of Chula Vista
- Other Public Financing – State and Federal