

OTAY RANCH VILLAGE 8 EAST

Affordable Housing Program

APPENDIX H

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PREPARED FOR:

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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

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 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, which affect its housing goals, policies and programs include:

- The population has more diversity in race/ethnicity than 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 - percent and - 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 twelve percent (12%) 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 half of such housing built between 1980-2000.
- 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).
- 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 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 Asset 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 East 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 shall be rounded up to one additional affordable unit or paid as a partial in-lieu fee equal to the resulting fraction.

The estimated Village 8 East affordable housing unit obligation is based on the Village 8 East SPA entitlement authorization of 3,276 units within Village 8 East. The affordable units required for Village 8 East are approximately 164 low-income affordable units and 164 moderate-income affordable units.

In addition to the Village 8 East affordable housing unit obligation, there is an additional obligation to provide 68 moderate-income housing units pursuant to the

Village 8 West Balanced Communities Affordable Housing Agreement recorded on December 4, 2020, as Document No. 2020-0776213 and an additional 19 low-income affordable housing units and 19 moderate-income housing units, pursuant to the Village 8 East Transfer Agreement recorded on June 30, 2023, as Document No. 2023-0171698. The total affordable housing unit obligation to be satisfied within Village 8 East is:

Reference	Affordable Housing Units		
	Low-Income	Moderate-Income	Total
Village 8 East Affordable Housing Program	164	164	328
Village 8 West Balanced Communities Affordable Housing Agreement		68	68
Village 8 East Transfer Agreement	19	19	38
TOTAL	183	251	434

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 East 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.

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 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 East are designated as multifamily and/or mixed-use development sites, as depicted in Exhibit 1: **Potential Affordable Housing Locations**. 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 East 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 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 8 East 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 East 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 East 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 East. Phasing of the low- and moderate-income units in Village 8 East is designed to link progress toward the production of such housing to the continued entitlement and development process for the Village 8 East SPA Area. The first or "Initial Phase" for construction of the low and moderate-income housing units shall be comprised of 60% of the total number of qualified low and moderate-income housing units and shall commence construction prior to the issuance by the City of the 1,966th production building permit within Village 8 East ("Initial Phase"). Construction of the remaining number of required low and moderate-income housing units shall commence prior to the City's issuance of the 3,276th 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.

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.



Exhibit 1: Potential Affordable Housing Locations

III. AFFORDABLE HOUSING RESTRICTIONS

A. Income Eligibility

To determine the eligibility of a household for the low, very low, or moderate-income housing unit, the household purchasing or renting the affordable unit must qualify as a Very Low Income Household, Low Income Household, or Moderate Income Household, as defined below.

B. Affordable Rents and 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, in accordance with Section 50053 (b)(3) and 50052.5 (b)(2) of the California Health and Safety Code. For projects that are subject to a regulatory agreement in connection with Subsidized Financing, the City, in its sole discretion, may allow an alternate formula for calculation of affordable rent in accordance with such regulations.
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, in accordance with Section 50053 (b)(4) of the California Health and Safety Code. For projects that are subject to a regulatory agreement in connection with Subsidized Financing, the City, in its sole discretion, may allow an alternate formula for calculation of affordable rent in accordance with such regulations.
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 in accordance with 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, in accordance Section 50053 (b)(5) 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, in accordance with 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 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; and,
- No non-occupant co-borrowers.

D. Term of Affordability and 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 forty-five (45) years and shall comply with City of Chula Vista 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 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 of Rental Housing

The term of the affordability restrictions for rental projects shall be fifty-five years (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 if required by the construction or mortgage financing assistance program, mortgage insurance program, or rental financing subsidy or incentive program.

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, assist 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 East. 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 East. 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, along with a deed of trust, solely 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.

Selection of tenants shall be made randomly by lottery within the following levels of priority, subject in all circumstances to applicable limitations imposed by law, including, without limitation, the Fair Housing Act under Federal law:

- A. Priority.** Households which are displaced from their primary residence as a result of an action of City or Agency, a condominium conversion involving the household's residence, expiration of affordable housing covenants applicable to such residence, or closure of a mobile home or trailer park community in which the household's residence was located, and the household resided in such housing as the household's primary place of residence for at least two years prior to such action or event.

- B. Second Priority.** Households which meet one of the following criteria: (i) households which are displaced from their primary residence as a result of an action of City or Agency, a condominium conversion involving the household's residence, expiration of affordable housing covenants applicable to such residence, or closure of a mobile home or trailer park community in which the household's residence was located, and the household resided in such housing as the household's primary place of residence for at least one year but less than two years prior to such action or event; (ii) households with at least one member who resides within the City, as that person's primary place of residence; (iii) households with at least one member who works or has been hired to work within the City, as that person's principal place of full-time employment; or (iv) households with at least one member who is expected to live within the City as a result of a bona fide offer of employment within the City.

C. Third Priority. Other Low-Income Households who do not meet the criteria for first priority or second priority above.

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

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 shall be as published annually by HUD 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 HUD for San Diego County.

Very Low Income Household

Very Low Income Household has the meaning set forth in California Health and Safety Code Section 50105. Maximum incomes for Very Low Income Households shall be as published annually by HUD for San Diego County.

San Diego Area Median Income

The San Diego County area median income level as determined from time to time by HUD, adjusted for 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;
- California Department of Housing and Community Development funds – State; and,
- Other Public Financing – State and Federal.