

Otay Ranch

SPA One

Affordable Housing Plan

February 16, 1999

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I. INTRODUCTION

A. Purpose and Content

The Otay Ranch General Development Plan/Subregional Plan (GDP/SRP) requires the preparation of an Affordable Housing Plan (AHP) for each Village prior to or concurrent with approval of a SPA for that Village. The SPA-level AHP must address the type and location of affordable housing to be provided in that Village as well as related policies contained in the Housing Elements of the appropriate land use jurisdiction (City of Chula Vista or County of San Diego).

B. SPA One Estimated Affordable Housing Unit Obligation

Under the current City of Chula Vista Housing Element and Otay Ranch GDP/SRP, the affordable housing requirement for SPA One equals 10% of total units in SPA One, including 5% of the units affordable to low income households and 5% of the units affordable to moderate income households. The estimated SPA One affordable housing unit obligation is based on the GDP/SRP entitlement authorization of 6,121 units within Villages One and Five (SPA One).

By agreement with the City of Chula Vista,¹Telegraph Canyon Estates is required to provide a 3-acre site within Otay Ranch Village Five to satisfy that project's affordable housing obligation of 17 units affordable to low income households and 17 units affordable to moderate income households. Tentative Map 96-04 requires that the Telegraph Canyon Estates affordable housing obligation be satisfied by delivering a 3-acre site in Village One.

Exhibit 1

SPA One Estimated Affordable Housing Obligations by Phase

| | Units | Low Income | Moderate Income | Total Affordable |
|------------------------------|--------------|-------------------|------------------------|-------------------------|
| Village One | 2,649 | 132 | 132 | 264 |
| Village One East & Five West | 1,484 | 74 | 74 | 148 |
| Village Five East | 1,098 | 55 | 55 | 110 |
| Village One West | 890 | 45 | 45 | 89 |
| TOTAL | 6,121 | 306 | 306 | 612 |

Exhibit 2 below depicts the estimated housing obligation by Master Developer. The McMillin Companies are the Master Developer for Village One East and Five West. The Otay Ranch Company is the Master Developer for the remaining portion of SPA One.

Exhibit 2

SPA One Estimated Affordable Housing Obligations by Master Developer

| | Units | Low Income | Moderate Income | Total Affordable |
|--------------------|--------------|-------------------|------------------------|-------------------------|
| McMillin Company | 1,484 | 74 | 74 | 148 |
| Otay Ranch Company | 4,637 | 232 | 232 | 464 |
| TOTAL | 6,121 | 306 | 306 | 612 |

¹ Resolution No. 16960, City of Chula Vista, January 19, 1993.

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C. Location

The proposed location of low income housing sites within SPA One is based upon the following site selection principles:

1. Multiple Family densities of 15 du/ac or greater;
2. Proximate to parks;
3. Proximate to schools;
4. Proximate to transit;
5. Proximate to retail/commercial;
6. Proximate to CPF uses.

Proposed low income housing sites for each Master Developer are identified below, and depicted on Exhibit 3. A final determination as to the location of low income housing sites will occur with subsequent entitlements, approvals and agreements.

The Otay Ranch Company (Village One)

Lots R-19, R-47 and R-15.

McMillin Company (Village Five)

Lot R-44.

SPA One Affordable Housing Plan

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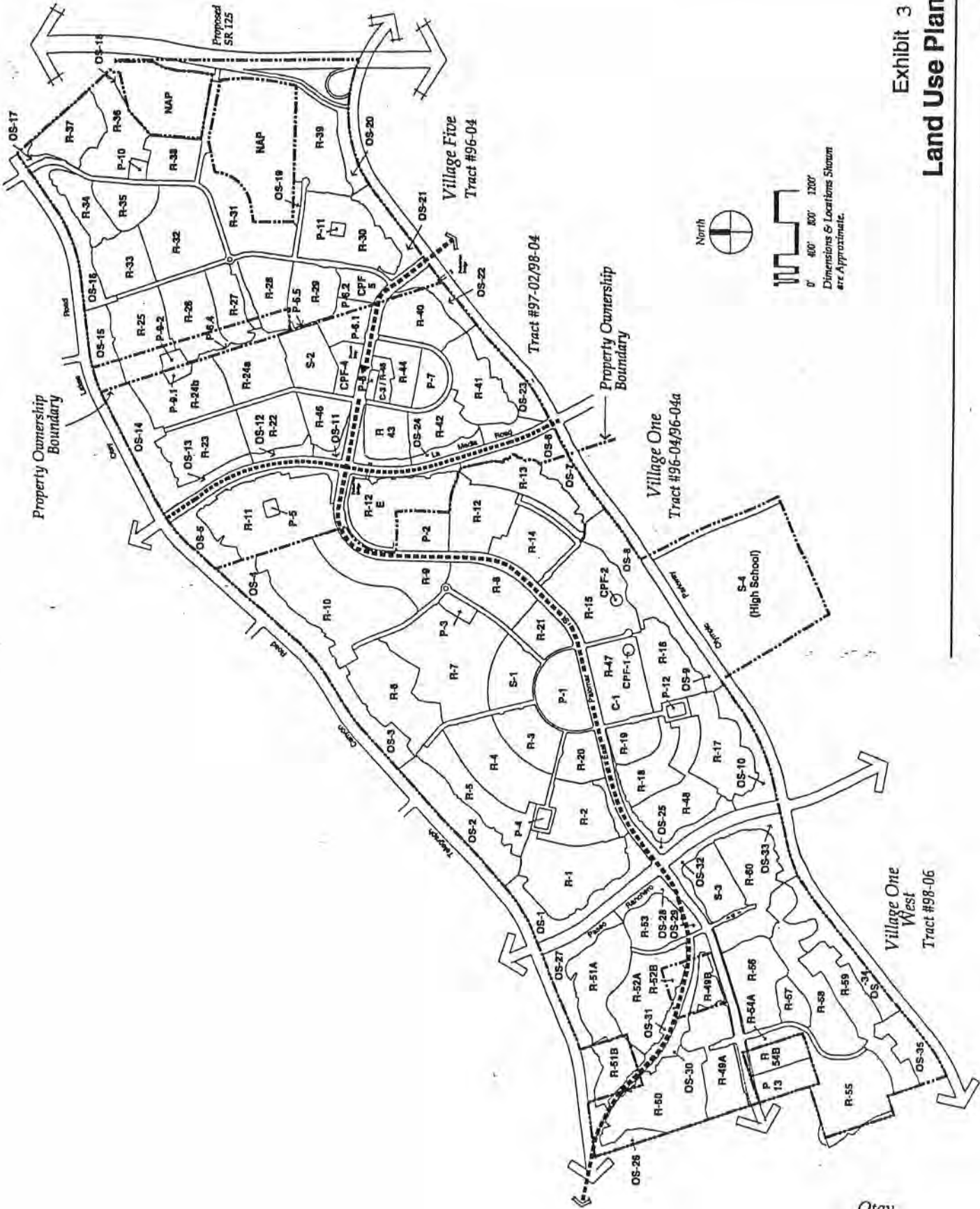


Exhibit 3 Land Use Plan

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D. SPA One Transfers

SPA One is proposed to be a "receiving" area for transfers from Telegraph Canyon Estates. Furthermore, Village One is the location within which the Otay Ranch Company satisfies the Otay Ranch Company obligations for low income housing for its entire development, including Villlage Five and Village One West. This requires a transfer of approximately 55 low income units from Village Five to Village One. Conversely, the McMillin Company will satisfy its Village Five and One low income obligations in Village Five. This requires transferring approximately 12 units from Village One to Village Five. The result of the combined transfers is a net transfer of about 43 units from Village Five to Village One.

E. Phasing/Timing

As identified in the Ranch-Wide Affordable Housing Plan, a tiered approach will be used to ensure the sequential phasing and implementation of low and moderate income housing units commensurate with the phasing of market-rate residential units within SPA One.

The framework for this tiering for both low and moderate income unit production in SPA One is described below, and is designed to link progress toward the production of low and moderate income housing to the continued development entitlement process for the SPA One area.

1. Low Income Units

Sites have been identified which meet the locational criteria for low income housing previously established in this document (See Section C), and which are expected to be developed in sequence with the development phasing for SPA One (See Exhibit 4). The McMillin Company has executed an Affordable Housing Agreement for their ownership committing the Master Developer to construct units in R-44 by . The Otay Ranch Company has executed an Affordable Housing Agreement

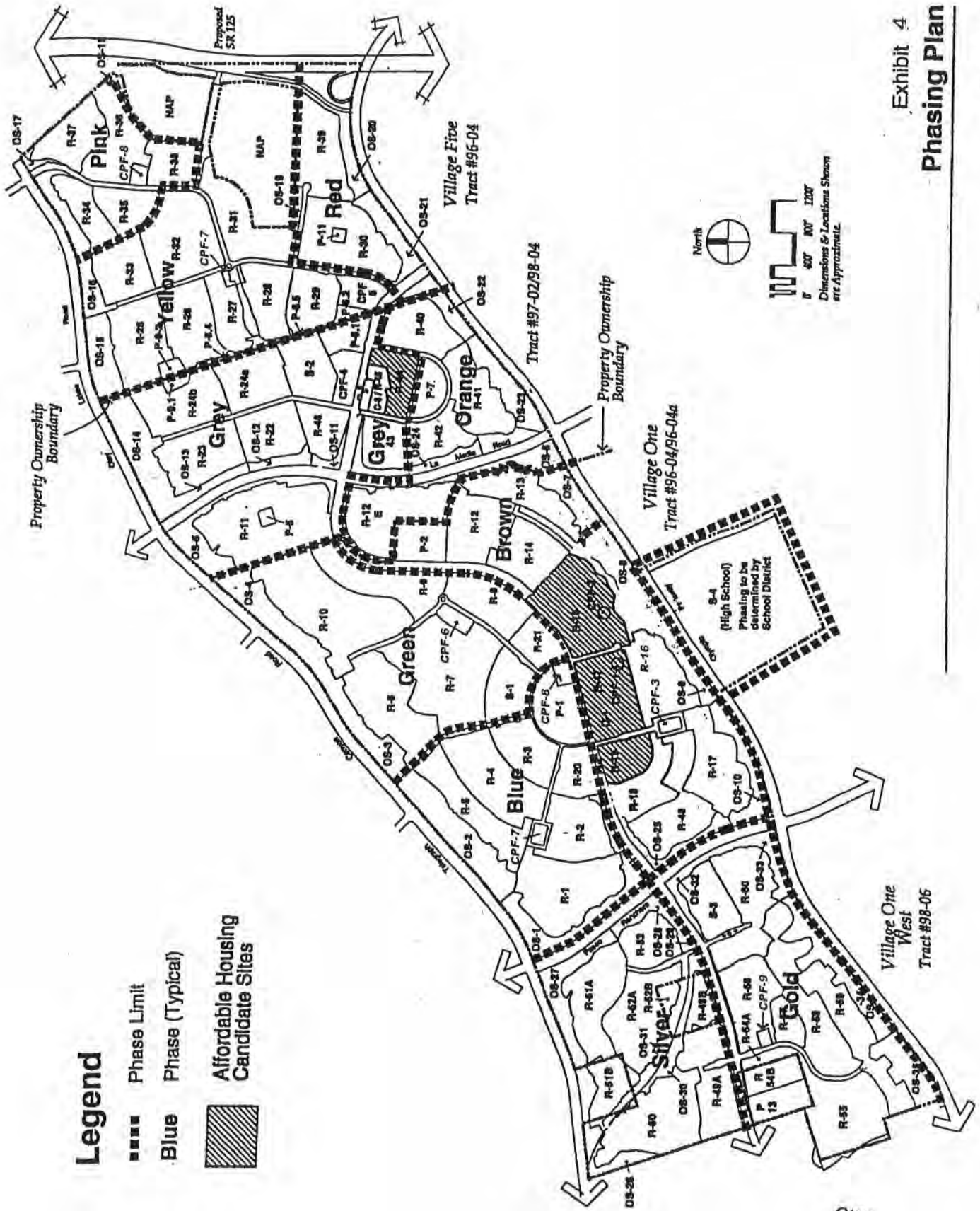
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committing the Master Developer to commence construction of half of its low income housing obligation by the issuance of the 1840th building permit within its ownership.

Consistent with policies contained in the Ranch-Wide Affordable Housing Plan, the following information shall be provided in conjunction with the adoption of a resolution approving the first and subsequent Tentative Subdivision Map(s) for SPA One:

- a) Housing Agreement(s) which establishes the total number of low income units that will be provided within the area covered by each Tentative Subdivision Map, and which contain, but are not limited to the following:
 - (1) The percent of overall SPA units that can receive Final Subdivision Map approval prior to finalizing the selection of affordable housing sites and executing project-level agreements;
 - (2) The percentage of building permit issuance's and/or occupancies that can occur within the overall SPA prior to having a percentage of building permits issues and/or occupied for the low income units; and,
 - (3) A description of what information must be provided in subsequent Project Level Affordable Housing Agreements.

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Legend




-  Phase Limit
-  Phase (Typical)
-  Affordable Housing Candidate Sites

Exhibit 4
Phasing Plan

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Exhibit 5
Otay Ranch Company Low Income Housing Obligation
by Phase

| Development Phase | Units | Low Income | Location |
|-------------------|-------|------------|--------------------|
| Blue | 568 | 28 | R-19, R-47 or R-20 |
| Green | 634 | 32 | R-19, R-47 or R-16 |
| Brown | 310 | 16 | R-19, R-47 or R-17 |
| Purple | 1,137 | 57 | R-19, R-47 or R-18 |
| Pink | 236 | 12 | R-19, R-47 or R-19 |
| Yellow | 561 | 28 | R-19, R-47 or R-20 |
| Red | 301 | 15 | R-19, R-47 or R-21 |
| Silver | 408 | 20 | R-19, R-47 or R-22 |
| Gold | 482 | 24 | R-19, R-47 or R-23 |

Exhibit 6
The McMillin Company Low Income Housing
Obligation by Phase

| Development Phase | Units | Low Income | Location |
|-------------------|-------|------------|----------|
| Orange | 474 | 24 | R-44 |
| Grey | 1,010 | 51 | R-45 |

2. Moderate Income Units

Moderate income units area anticipated to be provided within market-rate residential units in each phase of SPA One. Precise benchmarks for the timing of construction will be established with the adoption of the first, and any subsequent, Tentative Subdivision Maps. Implementation of the moderate income housing units for that portion of Village One located west of Paseo Ranchero are anticipated to be constructed within the market-rate residential units planned for within Village One, east of Paseo Ranchero.

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F. Tenure

Under current market and financing conditions, it is expected that the low income units² will be rental housing, and moderate income units³ will be owner-occupied. The City of Chula Vista has expressed interest in achieving home ownership for a portion of the low income units. Master Developers will endeavor to achieve this objective, provided that adequate incentives and opportunities are available. Toward this effort, Master Developers will also attempt to secure affordable housing subsidies from State and Federal programs.

G. Financing and Incentives

The Master Developer may use leveraged financing to reduce or eliminate the affordability gap as long as minimum affordability requirements are met. Use of such financing mechanisms may result in deeper income targeting.

The Master Developer may seek to secure affordable housing subsidy financing for units affordable to both low income and moderate income households. Financing subsidized from State, Federal and private sources may be sought for both rental housing (affordable to low income households) and ownership housing (affordable to moderate income households).

² As of the date of preparation of this plan there is virtually no market in South San Diego County for for-sale attached units since this product type cannot successfully compete with for-sale detached units. Additionally, construction defect litigation has substantially reduced the number of developers and contractors willing to build for-sale attached complexes. Current market prices for detached product has also deterred construction of rental units.

³ The current relatively affordable price for moderate income units provides an opportunity to meet this requirement through for-sale products at market rates.

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Appendix A provides a brief description of currently available housing subsidies which could be targeted by the Applicant to assist in providing both rental and home ownership affordable units.

H. Bedroom Count

For moderate income ownership housing, the distribution of unit sizes by bedroom count shall be roughly comparable to the distribution of unit sizes by bedroom count of market rate units in SPA One.

For low income rental housing, the minimum percentages of units by bedroom count are stated below.

| | |
|----------------|-----|
| Two bedroom: | 25% |
| Three bedroom: | 35% |

The bedroom distribution of the remaining 40% of units will be determined at the time of the Project-level Affordable Housing Agreement, based on market conditions and affordable housing financing details.

I. Affordability Definitions

1. Definition of Affordable Housing Expense

Rents and mortgage payments will not exceed the percentage of income spent on housing expense (rent and utilities for renters; principal, interest, taxes and insurance (PITI), utilities and homeowner association dues/maintenance expense for owners) as required by California Redevelopment Law, Health and Safety Code Sections 50052.5(b) and 50053(b), in place at time of SPA One Affordable Housing Plan approval.⁴

⁴ It is recognized that actual income restriction may vary depending upon project level funding agreements.

Exhibit 7
Affordable Housing Expense

| | RENTAL | OWNER |
|-----------------|-----------------|--|
| Lower Income | 30% of 60% AMI | 30% of 70% AMI |
| Moderate Income | 30% of 110% AMI | 35% of 110% AMI (but no less than 28% of actual income) |

2. Definition of Income Levels

Affordable units will be occupied by income-eligible households. Income levels are defined as follows:

Low Income: No more than 80% of area median income, adjusted for family size

Moderate Income: No more than 120% of area median income, adjusted for family size

3. Definition of Occupancy Standards

Occupancy standards for calculating the household income eligibility⁵ for affordable units in SPA One are as follows:

One bedroom: 2 persons
Two bedroom: 4 persons
Three bedroom: 6 persons
Four bedroom: 8 persons

⁵ Bedroom standards apply to household income eligibility for affordable housing only, and do not relate to UBC standards.

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4. Term and Enforcement of Affordability Restrictions

a. Term of Affordability

Rental and owner units will be permanently restricted as affordable housing. Affordability restrictions will be recorded through regulatory agreements, second mortgages, deeds of trust and resale restrictions as appropriate for rental or ownership housing. Covenants restricting Affordability will be approved by the City of Chula Vista as part of the Final Map Affordable Housing Agreement or the Project-level Affordable Housing Agreement, whichever is deemed most appropriate by the City of Chula Vista.

b. Rental Unit

The Affordability of rental units will be preserved through deed restrictions and regulatory agreements.

c. Owner Unit

The Affordability of ownership units will be preserved by restricting resale to income-eligible buyers. Resale restrictions will be defined as part of the Final Map Housing Agreement or the Project-level Affordable Housing Agreement, which ever the City deems the most appropriate.

J. Reporting/Monitoring and Enforcement

1. Rental Units

The entity responsible for Affordability compliance reporting to the City of Chula Vista Community Development Department will be the owner, general partner, property manager or other party designated by the Final Map or Project-level Affordable Housing Agreements, as deemed appropriate by the City of Chula Vista.

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Annual reporting requirements shall include tenant incomes, rents, occupancy status and other items as may be required by affordable housing funding sources. The Applicant reserves the right to require annual operating budget approval and approval of the management company for rental projects, or to assign such approval rights to a successor or the City.

2. Owner Units

Deed restrictions will be recorded on affordable ownership units to prevent unauthorized sale and secondary financing of such units. Such restrictions will require notification of the City and/or the Applicant or its successor of impending sale. The successor will be designated by the Applicant, and in the event no successor is so named, by the City of Chula Vista City Manager.

K. Affirmative Fair Marketing Plan

The Applicant will ensure compliance with all State and Federal Statutes regarding barrier-free environments and elimination of racial, age, religious, sexual, economic bias, discrimination in housing sales, rental, advertising and lending practices.

Additionally, an Affirmative Fair Marketing Plan which describes the various outreach efforts and lending practices which will be undertaken to attract prospective homebuyers and/or tenants in the proposed housing marketing area, regardless of gender, age, race, religion, handicap or economic status will be prepared and submitted to the City concurrent with the project level agreement.

L. Manufactured Housing and Mobile Homes

The use of manufactured housing and mobile homes has been considered and rejected by the Applicant for SPA One

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because the intensity and organization of the SPA Level Plan is not compatible for these housing types.

M. Innovative and Alternative Building Technologies

The Applicant will continue to examine new building technologies to reduce housing costs and increase Affordability.

N. Experimental Housing Concepts

The Applicant has and will continue to consider appropriate experimental housing concepts for SPA One such as co-housing, live/work space, and other alternatives. However, the SPA One Level Plan intensities and organization do not readily permit co-housing. Live work spaces may be appropriate within SPA One village cores; however, a commitment to such uses can only be made at the project level subject to approval of the City

O. Accessory Dwelling Units

No accessory dwelling units are proposed in SPA One because the SPA One land plan contains a wide range of densities within the Village Core which not only lessens the need for accessory units but because of congestion impacts, adding units to what has been planned could result in over-taxed infrastructure and resultant quality of life impacts.

If in the future accessory units are considered for any portion of SPA One, appropriate environmental and land use analysis will be required prior to any approval.

II. APPENDIX A

Below is a listing of potential funding sources for affordable housing.

1. Rental Housing

Low Income Housing Tax Credits - Federal and State low income housing tax credits are available to subsidize rental housing affordable to households at either 50% or 60% of the Area Median Income (AMI), adjusted for household size. Federal low income housing tax credits are available for projects with and without additional Federal subsidies. Those without additional Federal subsidies are eligible for the more valuable "9%" low income housing tax credit. Those with additional Federal subsidies, such as tax exempt bonds, qualify for the less valuable "4%" low income housing tax credits. The State of California also provides a State housing tax credit.

Tax Exempt Bonds - Long term, tax exempt permanent financing is available to subsidize interest rates on qualifying low income rental housing. Tax exempt financing may be combined with "4%" low income housing tax credits.

Affordable Housing Program - The Affordable Housing Program of the Federal Home Loan Bank of San Francisco provides interest rate and grant subsidies to qualifying low income rental housing.

Community Investment Fund - The Community Investment Fund (CIF) provides low cost, long term financing available to members of the Federal Home Loan Bank system. Advances made available by the Bank may be used to provide shallow subsidies for long term financing.

HOME - The HOME program is a federal housing block grant program for entitlement jurisdiction and states which provide subsidies for affordable rental housing.

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Community Development Block Grants (CDBG) - The Community Development Block Grant program is a Federal block grant program for entitlement jurisdictions and states providing subsidies for capital improvements, social services and, at a jurisdiction's election, affordable housing.

Community Reinvestment Act (CRA) - The Community Reinvestment Act requires that regulated financial institutions meet the credit needs of their communities. CRA has been used to provide an important source of construction, bridge and permanent financing for affordable housing by financial institutions. Financing is typically not made available to subsidized rates and terms. However, CRA provides important access to financial institutions for debt requirements of affordable rental projects.

California Redevelopment Law - The California Redevelopment Law requires that 20% of a local redevelopment agency's tax increment financing be made available to help preserve and produce affordable housing. Redevelopment set-aside funds have been used statewide by many jurisdictions to provide a variety of affordable housing subsidies for rental housing.

HUD - At this writing, HUD appropriations and programs are under wide-ranging review. Competitive grant programs may be available in the future from HUD. The Applicant will take advantage of such programs as appropriate at the time of development.

California Department of Housing and Community Development - The California Department of Housing and Community Development (HCD) authorizes a variety of rental housing assistance programs. Most of these programs have little to no current budgetary authority at this writing. Competitive grants and loan programs may be available in the future from HCD. The Applicant will take advantage of such programs as appropriate at the time of development.

2. Ownership Housing

Mortgage Credit Certificates (MCCs) - Mortgage Revenue Bonds (MRB), made available at tax exempt rates, provide an alternative to MCCs for subsidizing first-time home buyers. Both MRB and MCC allocations must be secured from the California Debt Limit Allocation Committee.

Affordable Housing Program - See description above.

HOME - See description above.

CDBG - See description above.

CRA - See description above.

California Redevelopment Law - See description above.

HUD - See description above.

HCD - See description above.