assisted housing units in La Mesa, analyzes their potential to convert to market rate housing uses, and analyzes the cost to preserve or replace those units.

Publicly Assisted Housing

The City of La Mesa has a range of publicly assisted rental housing affordable to lower and moderate income households. Table HE-32 provides a summary listing of affordable projects in the City. Overall, five projects (totaling 1,014 rental housing units) in the City include affordable units. Specifically, 547 units are set aside as housing for lower and moderate income households.

Table HE-32. Inventory of Assisted Rental Housing

Project Name	Total Units	Assisted Units	Funding Source	Earliest Date of Conversion	# of Units at Risk
Murray Manor 5700 Cowles Mountain Blvd.	218	198	Section 8	5/31/2012	198
La Mesa Springs Apartments 8070 Orange Avenue	128	128	CHFA/HFDA-Section 8	3/18/2016	128
Guava Gardens 5041 Guava Avenue	81	81	Density Bonus	Perpetuity	0
Campina Court Apartments 9000 Campina Drive	60	60	Tax credit/ Redevelopment	6/1/2050	0
Pravada/ Alterra	527	80	Redevelopment	2065	0
Total	1,014	547			326

Source: City of La Mesa, 2011.

Preservation of At-Risk Housing

Within the 2013-2023 "at-risk" housing analysis period, two projects (Murray Manor and La Mesa Springs) are considered at risk of converting to market-rate housing. These projects offer 346 housing units, inclusive of 326 units that are affordable to lower income households with project-based Section 8 rental subsidies. Both projects are considered at risk due to expiring Section 8 contracts.

Murray Manor is a 218-unit apartment project, constructed in the early 1970s. The property owner entered in to an agreement with HUD to maintain 198 affordable units in exchange for favorable loan terms. In 2003, the property owner refinanced the mortgage and entered in to an agreement to maintain affordability via the Section 8 program.

La Mesa Springs is a 128-unit affordable housing project constructed in 1981, with a 40-year use restriction and a project-based Section 8 contract for rent subsidies. The Section 8 for La Mesa Springs is due to expire in 2016. The owner can choose to opt out of Section 8 or to renew the Section 8 with HUD.

While the new Section 8 contracts are subject to a periodic renewal process, the approval is fairly automatic. If the property owner decides to allow the Section 8 program to lapse, the tenants would be notified and would have one year to relocate. Subject to funding availability, HUD would make Section 8 vouchers available to the tenants. Tenants could decide to use the voucher at the project or at a different location.

Preservation and Replacement Options

To maintain the existing affordable housing stock, the City works to preserve the existing assisted units or facilitate the development of new units. Depending on the circumstances of the at-risk projects, different options may be used to preserve or replace the units. Preservation options typically include: 1) transfer of units to non-profit ownership; 2) provision of rental assistance to tenants using other funding sources; and 3) purchase of affordability covenants. In terms of replacement, the most direct option is the development of new assisted multi-family housing units. The following discussion highlights ways that the City's two at-risk projects could be preserved as affordable housing. All of the presented alternatives are costly, probably beyond the ability of the City of La Mesa to manage without large amounts of subsidy from Federal, State and other local resources. These options are described below.

Transfer of Ownership

Transferring ownership of an at-risk project to a non-profit housing provider is generally one of the least costly ways to ensure that the at-risk units remain affordable for the long term. By transferring property ownership to a non-profit organization, low income restrictions can be secured and the project would become potentially eligible for a greater range of governmental assistance. The estimated market value for Murray Manor and La Mesa Springs Apartments is provided in Table HE-33.

Table HE-33. Market Value of At-Risk Housing Units

Unit Information	At-Risk Units
One-Bedroom Units	221
Two-Bedroom Units	105
Annual Operating Cost	$998,325
Gross Annual Income	$4,722,432
Net Annual Income	$3,724,107
Market Value	$46,551,337

Market value for project is estimated with the following assumptions:
Average market rent based on Fair Market Rents (FY 2012) established by HUD. One-bedroom unit = $1,126; Two-bedroom unit = $1,378 (higher than the average rent for a one-bedroom unit from 2010 rent survey by the San Diego County Apartments Association).
Average size is assumed to be 600 square feet for a one-bedroom and 850 square feet for a two-bedroom.
Annual income is calculated on a vacancy rate = 5%
Annual operating expenses per square foot = $4.50
*Market value = Annual net project income*multiplication factor*
Multiplication factor for a building in good condition is 12.5.

Current market value for the units is estimated on the basis of the project's potential annual income, and operating and maintenance expenses. As indicated above, the estimated market value of Murray Manor and La Mesa Springs Apartments is $46.5 million. (This estimate is provided for the purpose of comparison and understanding the magnitude of costs involved and does not represent the precise market value of this project. The actual market value at time of sale will depend on market and property conditions, lease-out/turnover rates, among other factors.)

Rental Assistance

Tenant-based rent subsidies could be used to preserve the affordability of housing. Similar to Section 8 vouchers, the City, through a variety of potential funding sources, could provide rent subsidies to tenants of at-risk units. The level of the subsidy required to preserve the at-risk units is estimated to equal the Fair Market Rent (FMR) for a unit minus the housing cost affordable by a lower income household. Table HE-34 estimates the rent subsidies required to preserve the affordability of the 326 at-risk units. Based on the estimates and assumptions shown in this table, approximately $1,707,720 in rent subsidies would be required annually.

Table HE-34. Rental Subsidies Required

Unit Size	Total Units	Fair Market Rent	House-hold Size	Household Annual Income	Affordable Cost (Minus Utilities)	Monthly per Unit Subsidy	Total Monthly Subsidy
Very Low Income (50% AMI)							
1-BR	221	$1,126	2	$32,800	$741	$385	$85,085
2-BR	105	$1,378	3	$36,900	$833	$545	$57,225
Total	326	---	---	---	---	---	$142,310

Notes:
Fair Market Rents (FMR) FY 2012 are determined by HUD.
San Diego County 2011 Area Median Household Income (AMI) limits set by the California Department of Housing and Community Development (HCD).
Affordable cost = 30% of household income minus utility allowance.

Purchase of Affordability Covenants:

Another option to preserve the affordability of the at-risk project is to provide an incentive package to the owner to maintain the project as affordable housing. Incentives could include writing down the interest rate on the remaining loan balance, providing a lump-sum payment, and/or supplementing the rents to market levels. The feasibility and cost of this option depends on whether the complex is too highly leveraged and interest on the owner's part to utilize the incentives found in this option. By providing lump sum financial incentives or ongoing subsides in rents or reduced mortgage interest rates to the owner, the City could ensure that some or all of the units remain affordable.

Construction of Replacement Units

The construction of new low income housing units is a means of replacing the at-risk units should they be converted to market-rate units. The cost of developing housing depends upon a variety of factors, including density, size of the units (i.e. square footage and number of bedrooms), location, land costs, and type of construction.

Assuming an average development cost of $150,000 per unit for multi-family rental housing, replacement of the 326 at-risk units would require approximately $64,841,400. This cost estimate includes land, construction, permits, on- and off-site improvements, and other costs.

Cost Comparisons

The above analysis attempts to estimate the cost of preserving the at-risk units under various options. However, because different projects have different circumstances and therefore different options available, the direct comparison would not be appropriate. In general, providing additional incentives/subsidies to extend the affordability covenant would require the least funding over the long run, whereas the construction of new units would be the most costly option. Over the short term, providing rent subsidies would be least costly but this option does not guarantee the long-term affordability of the units.

The cost to build new housing to replace the 326 at-risk units is high, with an estimated total cost of nearly $64,000,000. This cost estimate is substantially higher than the cost associated with transfer of ownership ($46,551,337) or providing rent subsidies similar to Section 8 vouchers ($1,707,720 annually).

Resources for Preservation

Preservation of at-risk housing requires not only financial resources but also administrative capacity of nonprofit organizations. These resources are discussed in detail later in this Housing Element in the "Housing Resources" section.

Housing Constraints

Actual or potential constraints to the provision of housing affect the development of new housing and the maintenance of existing units for all income levels. Governmental and non-governmental constraints in La Mesa are similar to those in other jurisdictions in the region and are discussed below. One of the most, if not the most, significant and difficult constraints to housing in La Mesa and elsewhere in the San Diego region is the high cost of land. This section describes various governmental, market, and environmental constraints on the development of housing that meets the needs of all economic segments of La Mesa population.

Market Constraints

Market constraints significantly affect the cost of housing in La Mesa, and can pose barriers to housing production and affordability. These constraints include the availability and cost of land for residential development, the demand for housing, financing and lending, construction costs, development fees, and neighborhood opposition which can make it expensive for developers to build affordable housing. The following highlights the primary market factors that affect the production of housing in La Mesa.

None of the housing sites are subject to significant environmental constraints that would prevent the reuse of these sites.

Financial Resources

Providing affordable housing for lower and moderate income households require the creative layering of multiple funding sources. Key funding sources available to the City of La Mesa for the construction, acquisition/rehabilitation, and preservation of affordable housing include the following:

Community Development Block Grant (CDBG) funds

The Community Development Block Grant (CDBG) program was initiated by the Housing and Community Development Act (HCDA) of 1974. The primary objective of the program is to develop viable urban communities by providing decent housing, a suitable living environment, and economic opportunities, principally for persons of low incomes (up to 80 percent AMI). CDBG funds can be used for a wide array of activities, including:

- Housing rehabilitation;
- Lead-based paint screening and abatement;
- Acquisition of buildings and land;
- Construction or rehabilitation of public facilities and infrastructure;
- Public services for low income persons and persons with special needs; and

The City of La Mesa is an entitlement jurisdiction for CDBG funding and receives approximately $400,000 annually. The City uses CDBG funds to provide a variety of housing and supportive services for lower income residents and those with special needs.

HOME Investment Partnership Program (HOME)

The HOME program provides federal funds for the development and rehabilitation of affordable rental and ownership housing for households with incomes not exceeding 80 percent of area median income. The program gives local governments the flexibility to fund a wide range of affordable housing activities through housing partnerships with private industry and non-profit organizations. HOME funds can be used for activities that promote affordable rental housing and homeownership by low income households (households earning up to 80 percent of the AMI).

La Mesa is a participating jurisdiction that receives HOME funds through its participation in the San Diego HOME Consortium. Each year, the City receives approximately $200,000 in HOME funds. The City uses HOME funds to support a Downpayment and Closing Cost Assistance program.

Housing Choice Voucher Program

The San Diego County Department of Housing and Community Development (HCD) serves as the Housing Authority of the County of San Diego. HCD manages approximately

$6.5 million in federal funds committed to the Housing Choice Voucher Rental Assistance Program on behalf of the City of La Mesa.

Administrative Capacity

Described below are public and private sector organizations that have been involved in housing activities in La Mesa. These agencies are involved in the improvement of the housing stock, expansion of affordable housing opportunities, preservation of existing affordable housing, and/or provision of housing assistance to households in need.

City of La Mesa Community Development Department

The Community Development Department provides primary administrative oversight of the City's housing projects and programs. Within this department, the development services division provides planning, building and engineering assistance to housing developers. The housing division manages housing programs, assists developers with tax credit applications, submits applications for HCD-sponsored housing grant opportunities, administers the CDBG and HOME programs, manages the Downpayment and Closing Cost Assistance program.

Redevelopment Agency

Since its formation in 1964, the La Mesa Community Redevelopment Agency has adopted three redevelopment plans in the City. Pursuant State law, the La Mesa Redevelopment Agency has established a Redevelopment Housing Set-Aside Fund using 20 percent of the tax increment revenue generated within each of the redevelopment project areas. The tax increment revenue is intended to increase and improve the supply of low and moderate-income housing. According to AB1X26 and the California Supreme Court decision of December 29, 2011, the La Mesa Community Redevelopment Agency will cease to exist on February 1, 2012.

San Diego County Department of Housing and Community Development

The County of San Diego, Department of Housing and Community Development Department coordinates and administers Section 8 rental assistance on behalf of the City of La Mesa. According to the Department, approximately 900 households were receiving Section 8 assistance as of December 2011.

Housing Developers and Service Providers

The City collaborates with a number of affordable housing developers and service providers to accommodate the housing needs of La Mesa residents. The following are housing developers and service providers active in the region:

- **San Diego Community Housing Corporation (SDCHC):** SDCHC is a housing and community development organization focused on developing, preserving, and maintaining affordable housing. Since 1994, SDCHC has acquired/developed 1,055 multi-family units, developed 48 new single-family homes, and rehabilitated 58 single-family homes.

- **San Diego Habitat for Humanity:** Habitat for Humanity has worked throughout the County of San Diego to provide affordable single-family ownership housing for lower income households.

- **Center for Community Solutions:** The Center for Community Solutions provides services for battered women and their children including an emergency 30-day shelter, food, clothing, counseling services, and legal assistance. The agency also operates a 24-hour domestic violence hotline. Agency staff networks with other service providers to provide a full range of assistance to domestic violence victims.

- **Center for Social Advocacy:** The Center for Social Advocacy operates the Shared Housing Program to match people in need of housing with people who have housing resources. This effort provides affordable housing for the housing seeker and additional income for the housing provider.

- **San Diego Interfaith Housing:** San Diego Interfaith Housing Foundation (SDIHF) aims to reach out to seniors, the disabled and working poor not served by the traditional housing market. SDIHF attempts to create better and more affordable housing opportunities for neighbors throughout San Diego County. The organization has built and manages several successful communities consisting of over 900 affordable housing units. Their role in these developments included, but was not limited to project feasibility, land acquisition, analyzing and securing financing, coordinating and managing the development team of architects, engineers and contractors, lease-up, property management and resident services.

- **Interfaith Shelter Network:** Interfaith Shelter Network provides a Rotational Shelter Program for homeless families and individuals at East County churches during the winter months.

Opportunities for Energy Conservation

Title 24, Building Energy Standards for Residential Development, establishes energy budgets or maximum energy use levels. The standards of Title 24 supersede local regulations, and State requirements mandate Title 24 requirements through implementation by local jurisdictions.

The City will continue strict enforcement of local and state energy regulations for new residential construction, and continue providing residents with information on energy efficiency. Specifically, the City of La Mesa website is linked to the San Diego Gas & Electric (SDGE) Company website. SDGE provides an Energy Savings Assistance Program that is designed to help lower the monthly bill, while making the home more comfortable. Income qualified households can request SDG&E's authorized contractors to provide free:

- New, energy-efficient refrigerators, air conditioners, and lighting;
- New or repaired doors and windows;
- Microwaves, water heaters and high-efficiency clothes washers; and
- Insulation, weatherstripping and caulking to lower heating and cooling costs