

## Housing Department Funding Sources

### LOW AND MODERATE INCOME HOUSING ASSET FUND

**Funding Source Information:** The Low and Moderate Income Housing Asset Fund (**LMIHAF**) was created upon the dissolution of the San Jose Redevelopment Agency in 2011. The City elected to retain the housing assets and the affordable housing functions of the Agency. The City now administers the affordable housing functions of the Agency as the housing successor, subject to the provisions of the California Redevelopment Law (**CRL**), which relates to affordable housing. **LMIHAF** was created to hold loan repayments of the City's redevelopment-funded loans. Loan repayments are based on a percentage of the properties residual receipts – gross rents less eligible operating expenses.

**Eligible Uses:** Eligible uses for **LMIHAF** include the development and major rehabilitation of rental housing with specific income targeting. **LMIHAF** must be spent on the development of affordable housing to lower-income households (less than 80% of the area median income (AMI)), with at least 45% of this funding source, to be used for rental housing for extremely-low income households (less than 30% of AMI); and no more than 20% to be used for households earning between 60-80% of AMI. Up to 50% of housing financed by a jurisdiction, over a ten-year period, may be provided for units of deed restricted rental housing for seniors.

### AFFORDABLE HOUSING IMPACT FEE

**Funding Source Information:** On November 18, 2014, the City Council adopted the Affordable Housing Impact Fee (**AHIF**) Resolution establishing the **AHIF** program. Under **AHIF**, new market-rate rental housing developments are charged a fee based on net rentable square footage to address the impact that type of development has on the need for affordable worker housing.

**Eligible Uses:** Eligible uses for **AHIF** funds include new rental and for-sale construction for restricted affordable housing developments for ELI, VLI, LI and moderate-income worker's households.

### INCLUSIONARY HOUSING IN-LIEU FEES (POLICY AND ORDINANCE)

**Funding Source Information:** The Citywide Inclusionary Housing Ordinance (**IHO**), as amended in March 2021, and effective May 1, 2021, requires that, in new market-rate developments of 10 or more homes, with a base requirement of 15% of the homes be made affordable in both rental and for-sale developments. The amended Ordinance provides several alternative ways that the developer can meet its requirement, including payment of an in-lieu fee and construction of affordable homes off-site. When a developer chooses an alternative compliance option, including the payment of an in-lieu fee, the percentage requirement is increased to 20%. For more details, see Attachment D – Inclusionary Housing Ordinance Briefing Sheet.

The Ordinance's predecessor for new developments in redevelopment project areas was the City's Inclusionary Policy. The Policy has a requirement that 15% of newly constructed rental housing and 20% of new for-sale homes be made affordable to ELI, VLI and LMI income households. Like the Ordinance, the Policy allows payment of in-lieu fee revenue as an option to building the required affordable homes. Both the Policy and redevelopment project areas survived dissolution of the redevelopment agencies.

**Eligible Uses:** Eligible uses for Inclusionary in-lieu fees include new rental and for-sale construction for restricted affordable housing developments for ELI, VLI, LI, and moderate-income households.

## FEDERAL HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM

**Funding Source Information:** The City receives approximately \$2.4 million in **HOME** funds by formula from the U.S. Department of Housing and Urban Development (**HUD**) on an annual basis. It is the largest Federal block grant to local governments to create affordable housing for low-income individuals and families. Approximately \$1.3 million in **HOME** funds is programmed for Tenant Based Rental Assistance (rent subsidies) annually for homeless individuals and families. The remaining \$1 million in annual revenue is set-aside for rental development.

**Eligible Uses:** Eligible housing activities include the investment in affordable rental housing and homeownership through the acquisition (including down payment assistance to homebuyers), new construction, reconstruction, or rehabilitation of deed restricted affordable housing. Funds may also be used to provide direct rental assistance to a low-income household.

## MEASURE E FUNDS

**Funding Source Information:** **Measure E**, approved by a majority vote of San Jose residents in March 2020, is a property transfer tax on property transfers with values over \$2,000,000. **Measure E** funds are for use in general governmental purposes, including affordable housing for seniors, veterans, disabled and low-income families. These funds can also be used for helping homeless residents move into shelters and/or permanent housing. The **Measure E** spending plan, as approved by City Council on June 16, 2021, will invest in the development of affordable rental housing for extremely low-income to low-income households, and affordable rental and for sale housing to moderate income households. -These funds can also be used for homelessness prevention and rental assistance.

**Eligible Uses:** Eligible uses for the fund include the investment in affordable rental and homeownership housing through acquisition and new construction and/or rehabilitation, of low- to moderate-income housing developments and homelessness prevention, including rental assistance.

### **The Measure E spending plan under this NOFA includes:**

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| 1. Funding for PSH and Extremely Low Income Households: New Development and Land Acquisition   | <b>45%</b> |
| 2. Funding for Low Income Households: New Development, Land Acquisition, and Acquisition/Rehabilitation for Affordable Housing (75%). Funding for the Construction of Commercial Space for New Affordable Housing Developments (25%) build out of “cold shell” commercial spaces for For-Profit developers, and Tenant Improvements for Non-Profit developers. | <b>35%</b> |
| 3. Funding for New Rental and For-Sale Housing Developments for Moderate-Income Households   | <b>10%</b> |