



SAN DIEGO
HOUSING
COMMISSION

INFORMATIONAL REPORT

DATE ISSUED: January 20, 2012

REPORT NO: HCR 12-019

SUBJECT: Multifamily Bond Program - Annual Status Report for Calendar Year 2011

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY:

This report summarizes activity under the San Diego Housing Commission's ("Housing Commission") Multifamily Bond Program for the calendar year ending December 31, 2011. During this period, the Housing Commission administered \$619,548,671 in multifamily tax-exempt financing for forty-six projects with 7,719 units including 5,941 units restricted at various levels of affordability (Attachment 1). In calendar year 2011, a total of \$45,939,363 in bonds were issued to provide financing for four rental projects.

BACKGROUND:

The interest income from bonds issued by the Housing Authority for eligible affordable housing projects is exempt from state and federal income taxes. The Housing Commission's Multifamily Bond Program uses this tax-exempt status to offer below-market financing to developers of affordable multifamily rental projects. In addition, the issuance of tax-exempt housing revenue bonds often qualifies projects for non-competitive allocations of federal tax credits. Eligible projects for tax-exempt housing bonds include new construction and acquisition/rehabilitation projects located in the City of San Diego.

The bonds do not constitute a financial liability of the City of San Diego, the Housing Authority of the City of San Diego ("Housing Authority"), or the Housing Commission. The security for bond repayment is limited to specific private revenue sources, such as project revenues, guarantees by credit providers, or the value of the projects themselves. The program is self-supporting and the developers are responsible for paying the costs associated with each financing.

DISCUSSION:

The following is a description of the actions that must be taken by the Housing Commission, Housing Authority, and the City Council to initiate and complete financings.

1. Bond Inducement

The adoption of an Official Intent ("bond inducement") resolution is the initial step required by the Internal Revenue Service to initiate a possible new-money bond issuance. It does not represent a commitment by the Housing Commission, Housing Authority, or the project sponsor to proceed with the financing. Rather, it establishes, through public record, the date from which project costs incurred may be reimbursed from bond proceeds. Generally, the bond inducement amount is higher than the estimated bond amount to reflect a 10-15 percent contingency to provide for increases in development costs and fluctuations in interest rates. The adoption of a bond inducement resolution also authorizes staff to work with a selected financing team to determine the feasibility of the financing, to structure a proposal for the issuance of bonds, and to submit an application to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of bond issuing authority.

2. TEFRA Hearing and Approval

In order for the interest on the bonds to be tax-exempt, and in compliance with the Tax Equity and Fiscal Responsibility Act ("TEFRA") of 1982 and Section 147(f) of the Internal Revenue Code of 1986, the bond issuance must be approved by the governmental body with jurisdiction over the project's location. A public hearing, with reasonable public notice, is required prior to the approval. As the elected legislative body for the City of San Diego, the City Council must approve the issuance of bonds by the Housing Authority. A notice of the City Council meeting on the proposed issuance of bonds is published in *The Daily Transcript* at least fourteen days prior to the scheduled meeting. The purpose of the public hearing is to provide the public with an opportunity to give their views on the proposed bond issuance and on the nature and location of the project.

3. Bond Allocation

The issuance of bonds for projects owned by private developers (i.e., projects owned by private developers or by nonprofit sponsors with for-profit investor participation - "private activity bonds") requires an allocation of bond issuance authority from the State of California. To apply for a bond allocation, an application by the Housing Authority must be filed with CDLAC. The application must be supported by an adopted inducement resolution and proof of credit enhancement and/or lender commitment to purchase the bonds. In addition, a TEFRA resolution must be approved no later than 30 days after application submittal.

4. Final Bond Approval

The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Initially, the information about the proposed tax-exempt financing of the project is preliminary. If the inducement and TEFRA resolutions are approved, a due diligence process conducted by staff and financing team members will generate additional information and analysis. Prior to final consideration of the proposed bond issuance by the Housing Authority, the project will have to comply with all of the program's financing and affordability requirements, and undergo all required planning procedures/reviews by local planning groups, etc.

Program Administration

In addition to its role in the bond issuance process, Housing Commission staff also administers a portfolio of forty-six bond issuances totaling approximately \$619 million. This function primarily involves monitoring the affordable income and rent restrictions. Other activities include periodic selection of financial consultants, reviewing project transfers and credit facility transfers or extensions, and providing technical assistance to affordable housing developers. The Housing Commission's origination fee, as well as the annual administrative fee, for each financing under the Multifamily Bond Program is 0.23 percent of the bond amount. These fees pay for ongoing compliance monitoring and bond program administration.

The Multifamily Bond Program finances two major types of projects: 1) Bond Refundings/Restructurings, and 2) New-Money Issuances.

Bond Refundings and Restructurings

Bond documents governing individual project financings allow participating developers and credit providers to request reissuance or restructuring of the existing bonds in order to adjust original terms of the financing in response to the project's new needs or circumstances. Approval to refund or restructure is at the discretion of the original issuer. Federal rules for bond refundings can be more liberal than those for new-money issuances, depending on when a project was originally financed. Projects financed prior to 1986 are subject to lesser rent and income restrictions than those that currently apply. During calendar year 2011 there were no bond refundings.

New-Money Issuances

To be eligible for tax-exempt multifamily bond financing, federal law requires that projects meet one of the following criteria: 1) a minimum of 20 percent of the units must be set aside for occupancy by households whose incomes do not exceed 50 percent of the area median income ("AMI"), as adjusted for family size (\$40,950 for a family of four during 2011); or 2) a minimum of 40 percent of the units must be set aside for occupancy by households whose incomes do not exceed 60 percent AMI, as adjusted for family size (\$49,140 for a family of four during 2011). However, state law further requires at least 10 percent of the units be restricted at 50 percent AMI. As a result, projects financed with tax-exempt bonds must set aside at least 20 percent of the units at 50 percent AMI or 10 percent of the units at 50 percent AMI and 30 percent of the units at 60 percent AMI.

The maximum rent for the set-aside units may not exceed 30 percent of monthly income, at the targeted income level, as adjusted for household and unit size. The maximum rent amounts are further reduced by a utility allowance for tenant-paid utilities in the amounts determined periodically by the Housing Commission.

The following are examples of how rents are determined, depending on the type of set-aside selected, for a family of four occupying a three-bedroom unit:

Targeted Income Level	Annual Income	÷12	Monthly Income	X 30%	Gross Monthly Rent	-	Estimated Utility Allowance	=	Net Monthly Rent
50% AMI	\$40,950		\$3,413		\$1,024		\$37		\$987
60% AMI	\$49,140		\$4,095		\$1,229		\$37		\$1,192

Calendar Year 2011 Program Activities: New Money Issuances

During calendar year 2011, the program provided \$45,939,363 in tax-exempt financing for four affordable projects. These projects will create 387 units, 383 of which will be affordable to low- and very low-income households. A description of the projects is provided below. The restricted units in these projects will remain affordable for a minimum of 55 years. Moreover, the applicable rent restrictions for a given project often exceed those of the bond program rents due to the restrictions of other funding sources, such as the State of California’s Tax Credit program.

1. Kalos Apartments (formerly called Florida Street Apartments) (83 total / 82 restricted units)
 In July 2011, the Housing Authority issued \$14,588,000 in tax-exempt bonds to finance the new construction of the 83-unit Kalos Apartments, located at 3783-3825 Florida Street, San Diego (Council District 3). The developer is Florida Street Housing Associates L.P. Of the project’s 82 affordable units, 9 are restricted at 50 percent AMI and 73 are restricted at 60 percent AMI. The affordability period is fifty-five years. In addition to the bonds the project financing includes 4 percent tax credit equity, a loan from the City of San Diego Redevelopment Agency, and a loan from the Housing Commission.
2. Mission Apartments (85 total / 84 restricted units)
 In May 2011, the Housing Authority issued \$12,888,363 in tax-exempt bonds to finance the new construction of the 85-unit Mission Apartments located at 1815-75 Hancock Street, San Diego (Council District 2). The developer is AMCAL Mission Fund L.P. Of the project’s 84 affordable units, 9 are restricted at 50 percent AMI and 75 are restricted at 60 percent AMI. The affordability period is sixty-five years. In addition to bonds, the project is financed with 4 percent tax credit equity, a loan from the Redevelopment Agency, a loan from the Housing Commission, and a deferred developer fee. The Housing Commission will have an option to purchase the leasehold improvements beginning at the end of the fifteen-year tax credit compliance period.
3. Sorrento Tower Apartments (198 total / 197 restricted units)
 In April 2011, the Housing Authority issued \$14,500,000 in tax-exempt bonds to finance the acquisition and rehabilitation of the 198-unit Sorrento Tower Apartments, located at 2875 Cowley Way, San Diego (Council District 6). The developer is Sorrento Towers Housing Partners L.P. Of the project’s 197 affordable units, 60 are restricted at 50 percent AMI and 137 are restricted at 60 percent AMI. The affordability period is fifty-five years. The project is financed with bonds, 4 percent tax credit equity and a deferred developer fee. The development also has a twenty-year Section 8 contract that will further reduce tenant rents.

4. Terramar Apartments (21 total / 20 restricted units)

In June 2011, the Housing Authority issued \$3,963,000 in tax-exempt bonds to finance the new construction of the 21-unit Terramar Apartments project, located at 13481-83 Silver Ivy Lane, San Diego (Council District 1). The developer is Terramar CIC, L.P. Of the project's 20 affordable units, 5 are restricted at 50 percent AMI and 15 are restricted at 60 percent AMI. The affordability period is sixty-five years. The project is financed with bonds, 4 percent tax credit equity, a master developer's contribution, a loan from the Housing Commission, and a deferred developer fee. The Housing Commission will have an option to purchase the leasehold improvements beginning at the end of the fifteen-year tax credit compliance period.

Expirations

Periodically, bond-financed projects fulfill their obligations under the Bond Regulatory Agreements through the expiration of affordability restrictions and paying off (redeeming) any outstanding bonds. During calendar year 2011, there were no bond-financed project expirations.

CONCLUSION:

During calendar year 2011, the Housing Commission's Multifamily Bond Program participated in four bond financings totaling \$45,939,363. The bonds financed 387 rental units, 383 of which will be affordable to low-income and very low-income households.

Respectfully submitted,



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Project Manager
Real Estate Department

Approved by,



Deborah N. Ruane
Senior Vice President
Real Estate Department

Attachment: Summary of Bond Financed Projects Calendar Year Ending 2011

ATTACHMENT 1

SUMMARY OF BOND FINANCED PROJECTS CALENDAR YEAR 2011

	Project	Address	District	Principal Amount	Total Units	Restricted Units	Project Type
1	16th and Market	640 16th Street	2	\$ 40,000,000	136	134	New Construction
2	Alabama Manor	3822-3866 Alabama Street	3	\$ 5,808,006	67	66	Acq/Rehab
3	Bay Vista Methodist Heights	4888 Logan Avenue	4	\$ 24,190,000	268	267	Acq/Rehab
4	Beyer Courtyard Apts	920 Beyer Boulevard	8	\$ 7,400,000	60	59	New Construction
5	Boulevard Apartments	3137 El Cajon Blvd	3	\$ 6,000,000	24	23	New Construction
6	Bridgeport Properties	Scattered sites	3,5,7	\$ 22,500,000	421	421	Acq/Rehab
7	Canyon Rim Apts	10931 Gerana Street	1	\$ 32,440,000	504	352	Acq/Rehab
8	Casa Colina del Sol Apts	5207 52nd Place	7	\$ 3,500,000	75	74	Acq/Rehab
9	City View Apartments	4105 Georgia Street	3	\$ 5,400,000	31	30	New Construction
10	Colina Park North	4333 Dawson Avenue	7	\$ 4,500,000	64	63	Acq/Rehab
11	Creeside Village Apts	4685 Nogal Street	4	\$ 6,000,000	144	43	Acq/Rehab
12	Del Sol Apts	3606-3690 Del Sol Boulevard	8	\$ 12,421,531	91	90	Acq/Rehab
13	Delta Village Apartments	4368 Delta Street	4	\$ 9,000,000	108	107	Acq/Rehab
14	Fairbanks Ridge	Paseo del Sur and Babcock St	1	\$ 30,000,000	204	203	New Construction
15	Harbor View Villas Apts.	404 North 47th Street	4	\$ 3,590,000	60	59	Acq/Rehab
16	Hillside Gardens Apts	5802 University Avenue	7	\$ 37,510,000	380	76	Acq/Rehab
17	Hollywood Palms	4366 Home Avenue	3	\$ 7,805,000	94	94	New Construction
18	Island Village Apartments	1245 Market Street	2	\$ 11,000,000	281	280	New Construction
19	John Adams Manor Apts.	5471 Bayview Heights Place	4	\$ 9,180,000	300	300	Acq/Rehab
20	Kalos Apartments *	3783-3825 Florida Street	3	\$ 14,588,000	83	82	New Construction
21	Logan Square Apts.	4742 Solola Avenue	4	\$ 10,215,000	170	169	Acq/Rehab
22	Mariner's Cove Apts	4392 W. Point Loma Blvd	2	\$ 11,720,000	500	100	New Construction
23	Market Street Square Apts	606 Third Avenue	2	\$ 8,015,000	192	40	New Construction
24	Maya Apartments	10101 Maya Linda Road	5	\$ 4,490,500	132	41	Acq/Rehab
25	Mirada Apts	7568 Charmant Drive	1	\$ 39,601,440	444	89	New Construction
26	Mission Apts *	1815-1875 Hancock Street	2	\$ 12,888,363	85	84	New Construction
27	Mountain View Estates Apts	4066 Messina Drive	4	\$ 4,377,500	145	97	Acq/Rehab
28	North Park Properties	4238 54th Pl. & 4501 Logan Ave	4,7	\$ 9,580,000	166	165	Acq/Rehab
29	Parkside Apts.	4010-4050 Park Haven Court	4	\$ 1,800,000	40	39	Acq/Rehab
30	Parkside Terrace	505 13th Street	2	\$ 17,114,159	77	76	New Construction
31	Rancho del Norte	16775 Saintsbury Glen	1	\$ 10,225,000	119	118	New Construction
32	Redwood Villa	3060 53rd Street	4	\$ 6,050,000	92	90	Acq/Rehab
33	Regency Centre Apts	4765 Home Avenue	4	\$ 4,100,000	100	99	Acq/Rehab
34	Sorrento Tower Apts *	2875 Cowley Way	6	\$ 14,500,000	198	197	Acq/Rehab
35	Stratton Apts	5765 Mount Alifan Drive	6	\$ 19,825,000	312	218	Acq/Rehab
36	Studio 15 Apts	70 15th Street	2	\$ 20,500,000	275	273	New Construction
37	Summit Crest Apartments	4328-4490 Mayberry Street	4	\$ 3,400,000	70	28	Acq/Rehab
38	Ten Fifty B	1050 B Street	2	\$ 48,500,000	229	226	New Construction
39	Terramar Apartments *	13481-13483 Silver Ivy Lane	1	\$ 3,963,000	21	20	New Construction
40	Torrey Highlands Apts	13370 Torrey Meadows Drive	1	\$ 4,780,000	76	75	New Construction
41	Villa Andalucia Apts.	6587-6595 Rancho Del Sol Way	1	\$ 2,231,000	32	31	New Construction
42	Villa Glen Apts.	6984-6996 Torrey Santa Fe Rd.	1	\$ 2,048,000	26	25	New Construction
43	Villa Nueva	3604 Beyer Blvd.	8	\$ 37,500,000	398	395	Acq/Rehab
44	Village Green Apts	4140 Bonillo Drive	7	\$ 9,664,172	93	92	Acq/Rehab
45	Vista La Rosa Apts	2002 Rimbey Avenue	8	\$ 12,860,000	240	240	Acq/Rehab
46	Windwood Village Apts	12730-12770 Briarcrest Place	1	\$ 6,768,000	92	91	New Construction
			Totals:	\$619,548,671	7,719	5,941	

* - issued in 2011

Project Type:	
	2153 New Construction
+	3788 Acq/Rehabilitation
	5941 Total Affordable Units