



INFORMATIONAL REPORT

DATE ISSUED: January 14, 2009
REPORT NO: HCR 09-017
SUBJECT: Multifamily Bond Program - Annual Status Report for Calendar Year 2008

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

This report summarizes activity under the San Diego Housing Commission's Multifamily Bond Program for the year ending December 31, 2008. During this period, the Housing Commission administered \$670,730,136 in multifamily tax-exempt financing for 45 projects with 9,107 units. Of that total, 5,821 units were restricted at various levels of affordability. During calendar year 2008, a total of \$95,804,159 in bonds was issued to provide financing for four 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 and rehabilitation projects located in the City of San Diego.

The bonds do not constitute a financial liability of the City, the 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

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submit an application to the California Debt Limit Allocation Limit 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 45 bond issuances totaling over \$670 million. Primarily this function 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 program administration.

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There are two major types of projects that the Multifamily Bond Program finances: New-Money Issuances and Bond Refundings and Restructurings.

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% of the units must be set aside for occupancy by households whose incomes do not exceed 50% of the area median income (AMI) (\$39,500 for a family of four during 2008), as adjusted for family size; or 2) a minimum of 40% of the units must be set aside for occupancy by households whose incomes do not exceed 60% AMI (\$47,400 for a family of four during 2008), as adjusted for family size (Attachment 2). However, state law further requires at least 10% of the units be restricted at 50% AMI. As a result, projects financed with tax-exempt bonds must set aside at least 20% of the units at 50% AMI or 10% of the units at 50% AMI and 30% of the units at 60% AMI.

The maximum rent for the set-aside units may not exceed 30% 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	-	Utility Allowance	=	Net Monthly Rent
50% AMI	\$39,500		\$3,292		\$988		\$42		\$946
60% AMI	\$47,400		\$3,950		\$1,185		\$42		\$1,143

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.

Calendar Year 2008 Program Activities

During calendar year 2008, the program provided \$95,804,159 in tax-exempt financing for a total of four affordable projects. These projects will create 598 units, 592 of which will be affordable to low and very low-income households. A description of each project is provided below. All the restricted units in these four 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.

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Bay Vista Methodist Heights (268 total / 267 restricted units)

In February the Housing Authority issued \$24,190,000 in tax-exempt bonds to finance the acquisition and rehabilitation of the 268-unit Bay Vista development. The property is located at 4888 Logan Avenue in Council District 4. Bay Vista will provide 267 affordable units: 27 units will be restricted at 50% AMI, and 240 units will be restricted at 60% AMI. In addition to bonds, the project was financed with federal tax credits, a deferred developer fee, and income from operations.

Parkside Terrace (77 total / 76 restricted units)

In March the Housing Authority issued \$17,114,159 in tax-exempt bonds to finance the new construction of the 77-unit Parkside Terrace Apartments project. The property is located at 505 13th Street in Council District 2. Of the project's 76 affordable units, 13 are restricted at 50% AMI and 63 are restricted at 60% AMI. In addition to bonds, the project was financed with tax credit equity, a loan from the Centre City Development Corporation (CCDC), and a deferred developer fee.

Boulevard Apartments (24 total / 23 restricted units)

In May the Housing Authority issued \$6,000,000 in tax-exempt bonds to finance the new construction of the Boulevard Apartments. The project is located at 3137 El Cajon Boulevard in Council District 3. The project will provide 23 affordable units: 14 at 30% AMI, and 9 at 40% AMI. Financing for the project also included tax credit equity, a loan from the Redevelopment Agency, a loan from the State of California's Multifamily Housing Program (MHP), a grant from HUD, a loan from the Federal Home Loan Bank's Affordable Housing Program (AHP), and a deferred developer fee and equity from St. Vincent de Paul.

Ten Fifty B (229 total / 226 restricted units)

In May the Housing Authority issued \$48,500,000 in tax-exempt bonds to finance the new construction of the 229-unit Ten Fifty B project. The property is located at 1050 B Street in Council District 2. Ten units will be restricted at 25% AMI; 31 units will be restricted at 30% AMI; 43 units will be restricted at 35% AMI; 4 units will be restricted at 40% AMI; 38 units will be restricted at 50% AMI; and 100 units will be restricted at 60% AMI. In addition to bonds, the project was financed with federal tax credits, a loan from CCDC, a loan from the Federal Home Loan Bank's AHP, the State's Transit Oriented Development (TOD) program, and a deferred developer fee.

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CONCLUSION:

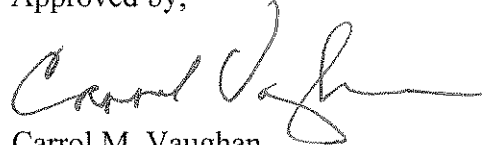
During calendar year 2008, the Housing Commission's Multifamily Bond Program participated in four bond financings totaling \$95,804,159. The bonds financed the acquisition, rehabilitation, and/or construction of 598 units, 592 of which will be affordable to low and very low-income households.

Respectfully submitted,



Cissy Fisher
Assistant Vice President
Housing Development & Finance

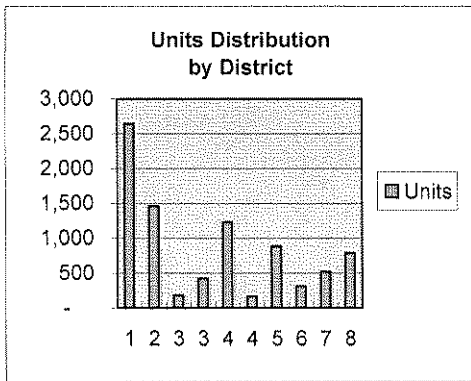
Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

- Attachment(s):
1. Summary of Bond Financed Projects
(Calendar Year Ending December 31, 2008)
 2. San Diego Housing Commission Income and Rent Calculations

MULTIFAMILY BOND PROGRAM
Summary of Bond Financed Projects
(As of December 31, 2008)



Units Distribution by District

Council District	Units	%
1	2,643	31%
2	1,461	17%
3	185	2%
3,5,7	421	5%
4	1,229	14%
4,7	166	2%
5	884	10%
6	312	4%
7	519	6%
8	790	9%
Total	8,610	100%

Project	Address	District	Principal Amount	Total Units	Restricted Units
Canyon Rim Apts	10931 Gerana Street	1	\$ 32,440,000	504	352
Fairbanks Ridge	Paseo del Sur and Babcock St	1	\$ 30,000,000	204	203
La Jolla Point Apts	7396 Avenida Navidad	1	\$ 20,900,000	328	66
Las Flores Apts	7039 Charmant Drive	1	\$ 27,235,000	312	63
Lucera Apts	7110 Shoreline Drive	1	\$ 16,000,000	256	52
Mirada Apts	7568 Charmant Drive	1	\$ 39,601,440	444	89
Paseo Point Apts	10024 Paseo Montril	1	\$ 14,250,000	250	50
Rancho del Norte	16775 Sainsbury Glen	1	\$ 10,225,000	119	118
Torrey Highlands Apts	13370 Torrey Meadows Drive	1	\$ 4,780,000	76	75
Villa Andalucia Apts.	6587-6595 Rancho Del Sol Way	1	\$ 2,231,000	32	31
Villa Glen Apts.	6984-6996 Torrey Santa Fe Rd.	1	\$ 2,048,000	26	25
Windwood Village Apts	12730-12770 Briarcrest Place	1	\$ 6,768,000	92	91
16th and Market	640 16th Street	2	\$ 40,000,000	136	134
Island Village Apartments	1245 Market Street	2	\$ 11,000,000	281	280
Mariner's Cove Apts	4392 W.Point Loma Blvd	2	\$ 11,720,000	500	100
Market Street Square Apts	606 Third Avenue	2	\$ 8,015,000	192	40
Parkside Terrace	505 13th Street	2	\$ 17,114,159	77	76
Studio 15 Apts	70 15th Street	2	\$ 20,500,000	275	273
Ten Fifty B	1050 B Street	2	\$ 48,500,000	229	226
Alabama Manor	3822-3866 Alabama Street	3	\$ 5,808,006	67	66
Boulevard Apartments	3137 El Cajon Blvd	3	\$ 6,000,000	24	23
Hollywood Palms	4366 Home Avenue	3	\$ 7,805,000	94	94
Bay Vista Methodist Heights	4888 Logan Avenue	4	\$ 24,190,000	268	267
Creekside Village Apts	4685 Nogal Street	4	\$ 6,000,000	144	43
Delta Village Apartments	4368 Delta Street	4	\$ 9,000,000	108	107
Harbor View Villas Apts.	404 North 47th Street	4	\$ 3,590,000	60	59
John Adams Manor Apts.	5471 Bayview Heights Place	4	\$ 9,180,000	300	300
Logan Square Apts.	4742 Solola Avenue	4	\$ 10,215,000	170	169
Mountain View Estates Apts	4066 Messina Drive	4	\$ 4,377,500	145	97
Parkside Apts.	4010-4050 Park Haven Court	4	\$ 1,800,000	40	39
Redwood Villa	3060 53rd Street	4	\$ 6,050,000	92	90
Regency Centre Apts	4765 Home Avenue	4	\$ 4,100,000	100	99
Summit Crest Apartments	4328-4490 Mayberry Street	4	\$ 3,400,000	70	28
Lusk Mira Mesa Apts	11102 Caminito Alvarez	5	\$ 33,800,000	752	153
Maya Apartments	10101 Maya Linda Road	5	\$ 4,490,500	132	41
Stratton Apts	5765 Mount Alifan Drive	6	\$ 19,825,000	312	218
Casa Colina del Sol Apts	5207 52nd Place	7	\$ 3,500,000	75	74
Colina Park North	4333 Dawson Avenue	7	\$ 4,500,000	64	63
Hillside Gardens Apts	5802 University Avenue	7	\$ 37,510,000	380	76
Beyer Courtyard Apts	920 Beyer Boulevard	8	\$ 7,400,000	60	59
Del Sol Apts	3606-3690 Del Sol Boulevard	8	\$ 12,421,531	92	91
Villa Nueva	3604 Beyer Blvd.	8	\$ 37,500,000	398	395
Vista La Rosa Apts	2002 Rimbey Avenue	8	\$ 12,860,000	240	240
Bridgeport Properties	Scattered sites	3,5,7	\$ 22,500,000	421	421
North Park Properties	4238 54th Pl. & 4501 Logan Ave	4,7	\$ 9,580,000	166	165
Total:			\$670,730,136	9,107	5,821

SAN DIEGO HOUSING COMMISSION INCOME AND RENT CALCULATIONS

U.S. Department of Housing and Urban Development 2008 SAN DIEGO MEDIAN INCOME:

\$72,100

Note: The table contains income limits for extremely low, very low and low income, as adjusted for family size and other factors adopted and amended from time to time by the U.S. Department of Housing and Urban Development (HUD). HUD adjusted San Diego Very Low Income limits for a "high housing cost area" factor.

Family Size	Unit Size	Extremely Low Income 30% AMI (Adjusted by HUD)			35% AMI (Adjusted by HUD)			40% AMI (Adjusted by HUD)			Very Low Income 50% AMI (Adjusted by HUD)		
		ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³ / "Low HOME" ³
		ONE	STUDIO	\$ 16,600	\$415	\$ 19,350	\$484	\$ 483	\$ 22,100	\$553	\$ 553	\$ 27,650	\$691
TWO	1-BR	\$ 18,950	\$474	\$ 22,100	\$553	\$ 518	\$ 25,300	\$633	\$ 592	\$ 31,600	\$790	\$740	
THREE	2-BR	\$ 21,350	\$534	\$ 24,900	\$623	\$ 622	\$ 28,450	\$711	\$ 711	\$ 35,550	\$889	\$888	
FOUR	3-BR	\$ 23,700	\$593	\$ 27,650	\$691	\$ 718	\$ 31,600	\$790	\$ 821	\$ 39,500	\$988	\$1,026	
FIVE	4-BR	\$ 25,600	\$640	\$ 29,850	\$746	\$ 801	\$ 34,150	\$854	\$ 916	\$ 42,650	\$1,066	\$1,145	
SIX	5-BR	\$ 27,500	\$688	\$ 32,050	\$801	\$ 885	\$ 36,650	\$916	\$ 1,011	\$ 45,800	\$1,145	\$1,264	
SEVEN	6-BR	\$ 29,400	\$735	\$ 34,300	\$858		\$ 39,200	\$980		\$ 49,000	\$1,225	\$1,382	
EIGHT		\$ 31,300		\$ 36,500			\$ 41,700			\$ 52,150			

Family Size	Unit Size	60% AMI (Adjusted by HUD)			65% AMI (Adjusted by HUD)			70% AMI (Adjusted by HUD)		Low Income 80% AMI (Adjusted by HUD)	
		ANNUAL INCOME ¹	GROSS RENT ²	TCAC ³	ANNUAL INCOME ¹	GROSS RENT ²	"High HOME" ³	ANNUAL INCOME ¹	GROSS RENT ²	ANNUAL INCOME ¹	GROSS RENT ²
		ONE	STUDIO	\$ 33,180	\$830	\$829	\$35,950	\$899	\$879	\$38,700	\$968
TWO	1-BR	\$ 37,920	\$948	\$888	\$41,100	\$1,028	\$943	\$44,250	\$1,106	\$50,550	\$1,264
THREE	2-BR	\$ 42,660	\$1,067	\$1,066	\$46,200	\$1,155	\$1,133	\$49,750	\$1,244	\$56,900	\$1,423
FOUR	3-BR	\$ 47,400	\$1,185	\$1,232	\$51,350	\$1,284	\$1,301	\$55,300	\$1,383	\$63,200	\$1,580
FIVE	4-BR	\$ 51,180	\$1,280	\$1,374	\$55,450	\$1,386	\$1,431	\$59,700	\$1,493	\$68,250	\$1,706
SIX	5-BR	\$ 54,960	\$1,374	\$1,517	\$59,550	\$1,489	\$1,561	\$64,150	\$1,604	\$73,300	\$1,833
SEVEN	6-BR	\$ 58,800	\$1,470		\$63,650	\$1,591	\$1,691	\$68,550	\$1,714	\$78,350	\$1,959
EIGHT		\$ 62,580			\$67,800			\$73,000		\$83,400	

Family Size	Unit Size	100% Area Median Income (No HUD adjustment)		120% AMI (No HUD adjustment)	
		ANNUAL INCOME ¹	GROSS RENT ²	ANNUAL INCOME ¹	GROSS RENT ²
		ONE	STUDIO	\$ 50,450	\$1,261
TWO	1-BR	\$ 57,700	\$1,443	\$ 69,200	\$1,730
THREE	2-BR	\$ 64,900	\$1,623	\$ 77,850	\$1,946
FOUR	3-BR	\$ 72,100	\$1,803	\$ 86,500	\$2,163
FIVE	4-BR	\$ 77,850	\$1,946	\$ 93,400	\$2,335
SIX	5-BR	\$ 83,650	\$2,091	\$ 100,350	\$2,509
SEVEN	6-BR	\$ 89,400	\$2,235	\$ 107,250	\$2,681
EIGHT		\$ 95,150		\$ 114,200	

* TCAC = Tax Credit Allocation Committee

1. Annual Income = Gross annual income adjusted by family size for Area Median Income (AMI) level. May contain additional adjustments as determined annually by HUD.
2. Gross rent minus utility allowance = maximum cash rent. See the "San Diego Housing Commission Utility Allowance Schedule" to calculate the utility allowance based on the project's actual utility mix.
3. For projects with multiple funding sources, use the lowest rents applicable. "Low HOME" and "High HOME" rents effective April 12, 2008

This general income and rental rate information is derived from the U.S. Department of Housing and Urban Development very low income figures published February 13, 2008. HOME Rents effective April 12, 2008.