



## INFORMATIONAL REPORT

**DATE ISSUED:** April 6, 2007  
**REPORT NO:** HCR 07-25  
**SUBJECT:** Multifamily Bond Program - Annual Status Report for Calendar Year 2006

### **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, 2006. During this period, the Housing Commission administered \$451,251,440 in multifamily tax-exempt financing for 35 projects with 7,505 units. Of that total, 4,236 units were restricted at various levels of affordability. During calendar year 2006, a total of \$32,921,531 in bonds was issued to provide financing for two projects.

### **BACKGROUND**

The interest income from bonds issued by the Housing Authority for eligible activities 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. Activities eligible for financing include new construction, acquisition, and rehabilitation of 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.

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 proposed 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 any commitment by the Housing Commission, Housing Authority or the applicant 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, the level of affordability of the set-aside units, and the structure of a proposal for the issuance of bonds.

#### **2. TEFRA Hearing and Approval**

The issuance of bonds must be approved by representatives of the governmental unit with jurisdiction over the area in which the project will be located so that interest on the bonds is tax-exempt and in compliance

April 6, 2007

## INFORMATIONAL REPORT

Multifamily Bond Program - Annual Status Report for Calendar Year 2006

Page 2

with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and Section 147(f) of the Internal Revenue Code of 1986. A public hearing, for which a reasonable public notice is given, is required prior to the approval. Therefore, federal regulations require that the issuance of bonds by the Housing Authority be approved by the City Council, as the elected legislative body of the City. A notice of a public hearing to be held by the City Council with respect to the proposed issuance of bonds is published in *The Daily Transcript* at least fourteen days prior to the scheduled meeting. The purpose of such public hearing is to provide interested persons 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 approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, a TEFRA resolution must be secured 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 the program's financing and affordability requirements, and undergo all required planning procedures/reviews by local planning groups, etc.

## **PROGRAM ADMINISTRATION**

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. The fees presently generate approximately one million dollars annually to support the Housing Commission's affordable housing activities in the City.

In addition to its support role in the bond issuance process, staff also administers a portfolio of thirty-five bond issuances totaling over \$450 million. Administration of the bond portfolio involves performance of all contractual obligations and administrative functions on behalf of the bond issuer, as required by the respective bond documents. This includes occupancy monitoring, compliance with tax laws to ensure that interest on outstanding bonds remains tax exempt, maintenance of a project's bond rating through extensions or substitutions of credit facilities, periodic selection of the financial consultants, maintenance of bondholder goodwill, and filing of required reports.

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

April 6, 2007

INFORMATIONAL REPORT

Multifamily Bond Program - Annual Status Report for Calendar Year 2006

Page 3

**NEW-MONEY ISSUANCES**

To be eligible for tax-exempt multifamily bond financing, federal law currently requires that projects meet one of the following two conditions: 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) (currently \$34,500 for a family of four), as adjusted for family size; 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 (currently \$41,400 for a family of four), as adjusted for family size (Attachment 2). However, state law requires that a minimum of 10 percent of the units be set aside for occupancy by households whose incomes do not exceed 50 percent AMI, as adjusted for family size. 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 the monthly income, at the targeted income levels stated above, 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 President and Chief Executive Officer.

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	\$34,500		\$2,875		\$863		\$50		\$813
60% AMI	\$41,400		\$3,450		\$1,035		\$50		\$985

During calendar year 2006, the program issued \$32,921,531 in tax-exempt bonds for two projects to create a total of 367 units, 364 of which will be affordable to low and very low-income households under the restrictions of the Multifamily Bond Program. A description of each project is provided below. All the restricted units in these two projects will remain affordable for a minimum of 55 years.

Studio 15 (275 total / 273 restricted units)

In October of 2006, the Housing Authority issued \$20,500,000 in tax-exempt bonds to finance the acquisition and construction of the 275-unit Studio 15 project. The property is located at the intersection of 15<sup>th</sup> Street and Imperial Avenue in Council District 2. Ten percent of the units will be restricted at 40% AMI, 54% of the units will be restricted at 50% AMI, and 36% of the units will be restricted at 60% AMI. In addition to bonds, the project was financed with tax credit equity, and a residual receipts loan from the Redevelopment Agency of the City of San Diego.

Del Sol Apartments (92 / 91 restricted units)

In September of 2006, the Housing Authority issued \$12,421,531 in tax-exempt bonds to finance the acquisition and rehabilitation of the Del Sol Apartments. The project is located at 3606-3690 Del Sol Boulevard in Council District 8. The project will restrict 35% of the units at 30% AMI, 19% of the units at

April 6, 2007

INFORMATIONAL REPORT

Multifamily Bond Program - Annual Status Report for Calendar Year 2006

Page 4

50% AMI, and 46% of the units at 60% AMI. Financing for the project also included tax credit equity, a residual receipts loan from the Housing Commission, and a low-interest loan from the State of California's Multifamily Housing Program.

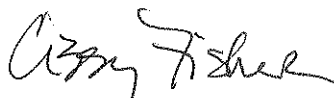
**BOND REFUNDINGS AND RESTRUCTURINGS**

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 relating to refundings are much more liberal than those for new-money issuances; projects originally financed prior to 1986 are not subject to the same rent and income restrictions that apply to new-money issuances. The Housing Commission did not refund or restructure any outstanding bond issuances during 2006.

**CONCLUSION**

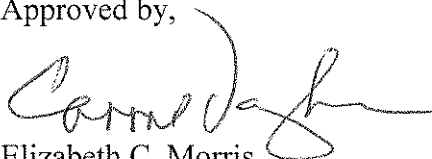
During calendar year 2006, the Housing Commission's Multifamily Bond Program participated in two bond financings totaling \$32,921,531. The bonds financed the acquisition, rehabilitation, and/or construction of 367 units, 364 of which will be affordable to low and very low-income households.

Respectfully submitted,



Cissy Fisher  
Director of Housing Finance & Development

Approved by,

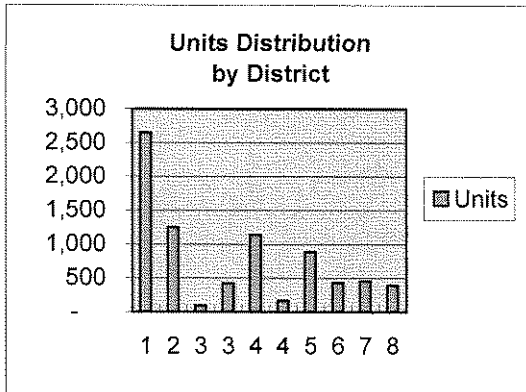


Elizabeth C. Morris  
President & Chief Executive Officer

Attachment(s):

1. Summary of Bond Financed Projects  
(Calendar Year Ending December 31, 2006)
2. San Diego Housing Commission Income and Rent Calculations

**MULTIFAMILY BOND PROGRAM  
Summary of Bond Financed Projects  
(As of December 31, 2006)**



District	Units	%
1	2,643	34%
2	1,248	16%
3	94	1%
3,5,7	421	5%
4	1,137	14%
4,7	166	2%
5	884	11%
6	432	5%
7	455	6%
8	392	5%
<b>Total</b>	<b>7,872</b>	<b>100%</b>

	Project	Address	District	Principal Amount	Total Units	Restricted Units
1	Canyon Rim Apts	10931 Gerana Street	1	\$ 32,440,000	504	352
2	La Jolla Point Apts	7396 Avenida Navidad	1	\$ 20,900,000	328	66
3	Las Flores Apts	7039 Charmant Drive	1	\$ 27,235,000	312	63
4	Lucera Apts	7110 Shoreline Drive	1	\$ 16,000,000	256	52
5	Mirada Apts	7568 Charmant Drive	1	\$ 39,601,440	444	89
6	Paseo Point Apts	10024 Paseo Montril	1	\$ 14,250,000	250	50
7	Rancho del Norte	16775 Saintsbury Glen	1	\$ 10,225,000	119	118
8	Torrey Highlands Apts	13370 Torrey Meadows Drive	1	\$ 4,780,000	76	75
9	Villa Andalucia Apts.	6587-6595 Rancho Del Sol Way	1	\$ 2,231,000	32	31
10	Villa Glen Apts.	6984-6996 Torrey Santa Fe Rd.	1	\$ 2,048,000	26	25
11	Windwood Village Apts	12730-12770 Briarcrest Place	1	\$ 6,768,000	92	91
12	Fairbanks Ridge	Paseo del Sur and Babcock St	1	\$ 30,000,000	204	203
13	Mariner's Cove Apts	4392 W.Point Loma Blvd	2	\$ 11,720,000	500	100
14	Market Street Square Apts	606 Third Avenue	2	\$ 8,015,000	192	40
15	Island Village Apartments	1245 Market Street	2	\$ 11,000,000	281	280
16	Studio 15 Apts	70 15th Street	2	\$ 20,500,000	275	273
17	Hollywood Palms	4366 Home Avenue	3	\$ 7,805,000	94	94
18	Creekside Village Apts	4685 Nogal Street	4	\$ 6,000,000	144	43
19	Harbor View Villas Apts.	404 North 47th Street	4	\$ 3,590,000	60	59
20	John Adams Manor Apts.	5471 Bayview Heights Place	4	\$ 9,180,000	300	300
21	Logan Square Apts.	4742 Solola Avenue	4	\$ 10,215,000	170	169
22	Mountain View Estates Apts	4066 Messina Drive	4	\$ 4,377,500	145	97
23	Parkside Apts.	4010-4050 Park Haven Court	4	\$ 1,800,000	40	39
24	Regency Centre Apts	4765 Home Avenue	4	\$ 4,100,000	100	99
25	Summit Crest Apartments	4328-4490 Mayberry Street	4	\$ 3,400,000	70	28
26	Delta Village Apartments	4368 Delta Street	4	\$ 9,000,000	108	107
27	Lusk Mira Mesa Apts	11102 Caminito Alvarez	5	\$ 33,800,000	752	153
28	Maya Apartments	10101 Maya Linda Road	5	\$ 4,490,500	132	41
29	Stratton Apts	5765 Mount Alifan Drive	6	\$ 19,825,000	312	218
30	University Canyon Apts	2098 Via Las Cumbres	6	\$ 3,105,000	120	119
31	Casa Colina del Sol Apts	5207 52nd Place	7	\$ 3,500,000	75	74
32	Hillside Gardens Apts	5802 University Avenue	7	\$ 37,510,000	380	76
33	Beyer Courtyard Apts	920 Beyer Boulevard	8	\$ 7,400,000	60	59
34	Del Sol Apts	3606-3690 Del Sol Boulevard	8	\$ 12,421,531	92	91
35	Vista La Rosa Apts	2002 Rimbey Avenue	8	\$ 12,860,000	240	240
36	Bridgeport Properties	Scattered sites	3,5,7	\$ 22,500,000	421	421
37	North Park Properties	4238 54th Pl. & 4501 Logan Ave	4,7	\$ 9,580,000	166	165
	<b>Total:</b>			<b>\$484,172,971</b>	<b>7,872</b>	<b>4,600</b>

## SAN DIEGO HOUSING COMMISSION INCOME AND RENT CALCULATIONS

U.S. Department of Housing and Urban Development 2006 SAN DIEGO MEDIAN INCOME:

\$64,900

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	30% AMI (Adjusted by HUD)			Extremely Low income 35% AMI (Adjusted by HUD)			40% AMI (Adjusted by HUD)			Very Low income 50% AMI (Adjusted by HUD)		
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup> / "Low HOME" <sup>3</sup>
ONE	STUDIO	\$ 14,500	\$363		\$16,900	\$423	\$ 422	\$19,300	\$483	\$ 483	\$24,150	\$604	\$603
TWO	1-BR	\$ 16,550	\$414		\$19,300	\$483	\$ 452	\$22,100	\$553	\$ 517	\$27,600	\$690	\$646
THREE	2-BR	\$ 18,650	\$466		\$21,750	\$544	\$ 543	\$24,850	\$621	\$ 621	\$31,050	\$776	\$776
FOUR	3-BR	\$ 20,700	\$518		\$24,150	\$604	\$ 627	\$27,600	\$690	\$ 717	\$34,500	\$863	\$896
FIVE	4-BR	\$ 22,350	\$559		\$26,100	\$653	\$ 700	\$29,800	\$745	\$ 800	\$37,250	\$931	\$1,000
SIX	5-BR	\$ 24,000	\$600		\$28,000	\$700	\$ 773	\$32,000	\$800	\$ 883	\$40,000	\$1,000	\$1,104
SEVEN	6-BR	\$ 25,650	\$641		\$29,950	\$749		\$34,200	\$855		\$42,800	\$1,070	\$1,207
EIGHT		\$ 27,300			\$31,900			\$36,450			\$45,550		

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 <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	"High HOME" <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$29,000	\$725	\$724	\$31,400	\$785	\$760	\$33,800	\$845	\$38,650	\$966
TWO	1-BR	\$33,100	\$828	\$776	\$35,900	\$898	\$821	\$38,650	\$966	\$44,150	\$1,104
THREE	2-BR	\$37,250	\$931	\$931	\$40,350	\$1,009	\$987	\$43,450	\$1,086	\$49,700	\$1,243
FOUR	3-BR	\$41,400	\$1,035	\$1,076	\$44,850	\$1,121	\$1,132	\$48,300	\$1,208	\$55,200	\$1,380
FIVE	4-BR	\$44,700	\$1,118	\$1,200	\$48,450	\$1,211	\$1,244	\$52,150	\$1,304	\$59,600	\$1,490
SIX	5-BR	\$48,000	\$1,200	\$1,325	\$52,050	\$1,301	\$1,353	\$56,050	\$1,401	\$64,050	\$1,601
SEVEN	6-BR	\$51,350	\$1,284		\$55,600	\$1,390	\$1,464	\$59,900	\$1,498	\$68,450	\$1,711
EIGHT		\$54,650			\$59,200			\$63,750		\$72,850	

Family Size	Unit Size	100% Area Median Income (No HUD adjustment)		120% AMI (No HUD adjustment)	
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$45,450	\$1,136	\$54,500	\$1,363
TWO	1-BR	\$51,900	\$1,298	\$62,300	\$1,558
THREE	2-BR	\$58,400	\$1,460	\$70,100	\$1,753
FOUR	3-BR	<b>\$64,900</b>	\$1,623	\$77,900	\$1,948
FIVE	4-BR	\$70,100	\$1,753	\$84,100	\$2,103
SIX	5-BR	\$75,300	\$1,883	\$90,350	\$2,259
SEVEN	6-BR	\$80,500	\$2,013	\$96,550	\$2,414
EIGHT		\$85,650		\$102,800	

\* 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 May 3, 2006

This general income and rental rate information is derived from the U.S. Department of Housing and Urban Development (HUD) very low income figures published March 8, 2006. TCAC Maximum Rents effective March 8, 2006.