



Executive Summary

Disposition & Repositioning of SDHC Housing Properties

BACKGROUND:

- In September 2007, the San Diego Housing Commission (“SDHC”) received HUD approval to withdraw from the Public Housing Program and to own and operate those same 1,366 rental housing units as affordable housing.
- The approval included the allocation of Housing Choice vouchers for each eligible household. The ownership of the 1,366 units located on 150 sites was transferred to Housing Commission on November 19, 2007.
- The units now owned by SDHC must continue to be rented at affordable rates to low-income households, either seniors earning up to 50 percent of the Area Median Income (AMI), or families earning up to 80 percent of the AMI.
- SDHC was also obligated to leverage the equity in the 1,366 housing units to create a minimum of 350 additional affordable units to be rented at or below 80 percent AMI for a minimum of 55 years. On Oct. 17, 2008, HUD outlined additional requirements for producing affordable housing from the proceeds of our equity loans.
- The Housing Commission is governed by the San Diego Housing Authority, which is composed of the eight members of the San Diego City Council. The Housing Authority has final authority over the agency’s budget and major policy changes. The Housing Authority is assisted by a Board of Commissioners, a seven-member advisory body appointed by the Mayor and confirmed by the City Council. The board reviews proposed expenditures and policy changes, which are forwarded to the Housing Authority for final action.

FINANCE PLAN:

- In September 2009, the SDHC Board of Commissioners approved the Finance Plan for the Acquisition of New Affordable Housing Units (“Finance Plan”). A month later, it was approved by the San Diego Housing Authority. The Finance Plan was created to structure and monitor the equity of a portion of SDHC’s real estate portfolio for the purpose of acquiring or developing more affordable housing.

- Of the 150 properties in the existing portfolio, SDHC decided it was not cost efficient to leverage smaller properties of four units or fewer. There are 75 properties totaling 117 units in this pool, and these properties remain debt-free.
- Thirty-three (33) of SDHC's larger properties were leveraged with three loans from Fannie Mae under the conventional multifamily loan program that generated \$37,140,000. These loans closed on December 30, 2009. Another 42 SDHC properties will be leveraged under FHA's 223(f) program. These three loans are expected to close in August 2010, and will generate an estimated \$55,000,000.
- The Finance Plan included an assumption that proceeds would be used for acquisitions of additional affordable units. These proceeds would be split as follows:
 - Forty percent (40 percent) toward public-partnerships with the local affordable housing development community for projects serving families earning less than 60 percent AMI.
 - Sixty percent (60 percent) toward the acquisition of properties to be owned by SDHC or in partnership with other governmental entities (e.g., redevelopment agencies such as Centre City Development Corp., and Southeastern Economic Development Corp.) . These properties would serve families earning less than 80 percent AMI.
- The Finance Plan was created to ensure that a variety of housing opportunities are provided, while also protecting SDHC's long-term fiscal sustainability.

NEW ACQUISITIONS:

As of June 30, 2010, SDHC has acquired the following properties:

Newly Acquired Properties Closed		
Property Name	Number of Units	Total SDHC Cost
Riverwalk (new construction)	49	\$4,475,145
Arbor Village (acquisition/rehab)	112	\$7,900,000
Hotel Sandford (acquisition/rehab)	130	\$6,095,000
Sub-Total Closed	291	\$18,470,145

Additionally, approval has been granted but the transactions have not yet closed on the following:

Newly Acquired Properties Approved – Scheduled to be Closed		
Property Name	Number of Units	Total SDHC Cost
Vista Grande (acquisition/rehab)	48	\$3,800,000
Mercado del Barrio (new construction)	91	\$7,000,000
Sub-Total	139	\$10,800,000

When combined, SDHC has committed approximately \$30,000,000 for a total of 430 new units of affordable housing comprised of new construction, as well as projects involving the acquisition and rehabilitation of older properties.

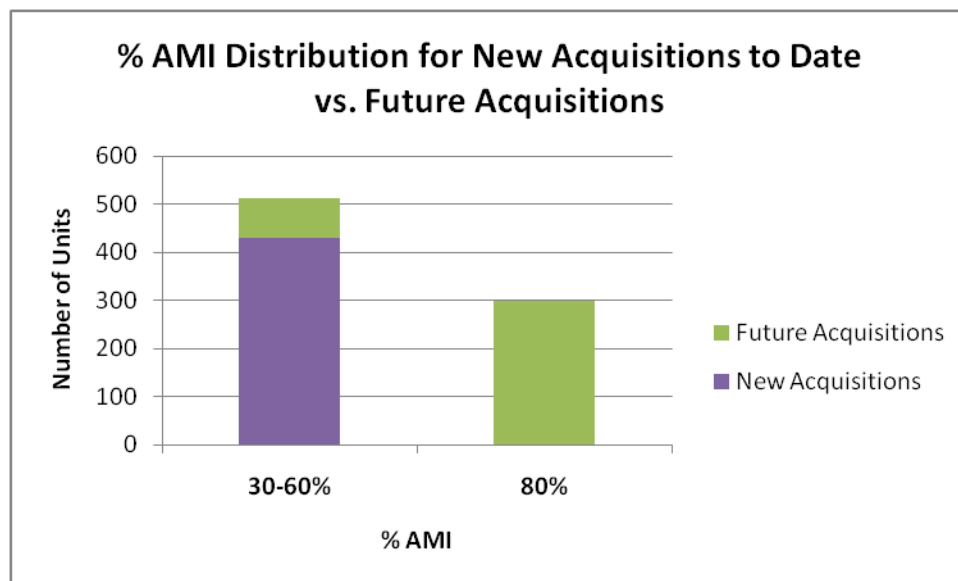
Total Newly Acquired Properties			
	Number of Units	Total SDHC Cost	Average Cost Per Unit
Sub-Total Closed	291	\$18,470,145	\$63,471
Sub-Total—Scheduled to be closed	139	\$10,800,000	\$77,698
Totals	430	\$29,270,145	\$68,070

With the exception of the Hotel Sandford, these new acquisitions are public-private partnership transactions. All provide housing to extremely low, very low and low-income families and seniors. Also, because of the additional public subsidies and low income housing tax credits, SDHC's contribution on a per unit basis is low at \$68,070/unit.

Together, these new acquisitions stretch SDHC's affordability at its properties by offering rents at 30 percent to 60 percent of the AMI.

FUTURE ACQUISITIONS:

- Once SDHC closes on the FHA financing, the majority of those funds will be spent on properties that can be rented to families earning up to 80 percent of the AMI, in accordance with the Finance Plan and our agreement with HUD. Based on current expectations, these future acquisitions will add approximately 300 units of low-income housing to SDHC's current portfolio.
- When combined with the public-private partnership deals already closed, SDHC's new acquisitions will be split as follows:



- There are approximately four of these 80 percent AMI, income-generating properties currently being underwritten, and SDHC has issued letters of interest on two of these properties.
- These acquisitions will not take the extensive time to close that was involved in the tax credit transactions because they are straight, all-cash acquisitions by SDHC. It is anticipated that SDHC will close on two of these properties by September 2010.
- SDHC will continue underwriting acquisition opportunities to increase SDHC's affordable housing portfolio. Given the current depressed real estate values and limited availability of financing, SDHC can choose from a selection of attractive properties, acquire them with cash, and convert them to affordable housing.

- As a result of the disposition and repositioning of its former public housing portfolio, SDHC is in a unique position to be able to provide over 700 additional new units of safe, quality affordable housing to the residents of San Diego.