SAN DIEGO HOUSING COMMISSION

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San Diego Housing Commission (SDHC) Multifamily Mortgage Revenue Bond Policy Amendments

Presentation to the SDHC Board of Commissioners
November 13, 2020

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SDHC Bond Policy Amendments
Introduction

- SDHC's Multifamily Mortgage Revenue Bond Program supports the development of affordable housing in the City of San Diego.
- More than $1 billion in tax-exempt bonds have been issued since the program's inception to provide below-market-rate financing for affordable housing developments.
- Current SDHC Multifamily Mortgage Revenue Bonds portfolio:
  - 80 developments with 8,026 affordable units
  - June 30, 2020: Bonds outstanding totaled $969,930,918.



Paseo La Paz
San Ysidro – Council District 8
137 affordable apartments
Bonds: $28.6 million
Grand Opening: February 27, 2020

SDHC Bond Policy Amendments
Introduction (Continued)

- SDHC's Multifamily Mortgage Revenue Bond Program policy has been periodically updated:
  - To respond to changes in the regulatory environment
  - To remain a useful incentive to produce affordable housing in the City of San Diego.

- The last amendment was approved in July 2018.

SDHC Bond Policy Amendments
Reasons for Updates in 2020

- Bond Market is now competitive.
- Developers are requesting faster approval process to meet State application deadlines.
- More State-authorized bond issuers want to issue bonds for projects in the City of San Diego.
- IRS revised regulations for public noticing of Tax Equity and Fiscal Responsibility Act (TEFRA) hearings.

Summary of Proposed Bond Policy Amendments

SDHC Bond Policy Amendments
Summary of Proposed Amendments

- Add Section 1.7:
  - Allows SDHC's President & CEO, or designee, to adopt inducement resolutions on behalf of the Housing Authority and hold TEFRA hearings on behalf of the City Council.
  - Adds language that Housing Authority and/or Mayor of San Diego's approval shall remain required for final bond authorization.

- Amend Section 1.8A:
  - Clarifies language regarding the calculation of the up-front administrative fee payable at bond closing to be calculated off the total tax-exempt and taxable bonds.

SDHC Bond Policy Amendments
Summary of Proposed Amendments (Continued)

- Amend Section 1.8B:
  - Adds language that the annual bond administrative fee shall not exceed $62,500 per year.

- Amend Section 1.8D:
  - Clarifies language that additional monitoring fees may be charged, regardless of number of units.

- Amend Section 1.9:
  - Clarifies language stating that SDHC will not recommend projects where the tax credit investor is also the same or a related entity to the bond purchaser, and any exception would be on an extremely limited case-by-case basis.

SDHC Bond Policy Amendments
Summary of Proposed Amendments (Continued)

- Amend Section 2.1:
  - Adds language that taxable bonds do not require a TEFRA hearing.

- Amend Section 4.1:
  - Updates language that the bonds must be rated “A” or its equivalent.

- Amend Section 5.1:
  - Adds language that SDHC staff must provide written approval for use of an outside bond issuer for a project in the City of San Diego.
  - Updates language that the most recent fee schedule will be used.

SDHC Bond Policy Amendments

Summary of Proposed Amendments (Continued)

- Amend Section 7.1:
  - Adds language that SDHC's bond inducement application is on SDHC's website.
- Add Section 7.3A:
  - Grants SDHC's President & CEO, or designee, the authority to adopt bond inducement resolutions.
- Amend Section 7.4:
  - Adds language allowing SDHC's President & CEO, or designee, to adopt inducement resolutions and hold TEFRA hearings on behalf of the Housing Authority and City Council, respectively.
  - Adds language that Housing Authority's and/or Mayor of San Diego's approval shall remain required for final bond authorization.
  - Updates language that SDHC's website is a permitted medium for the TEFRA hearing public notice and that the notice shall be published at least seven days in advance of the hearing.

SDHC Bond Policy Amendments
Summary of Proposed Amendments (Continued)

- Amend Section 10.4C:
  - Clarifies language that the Certification of Compliance form to be submitted is either Certification of Compliance I or II, depending on the year the bonds were allocated.

- Throughout the policy:
  - Updates language to say “CEO, or designee” instead of “CEO, or his designee.”

Staff Recommendations

SDHC Bond Policy Amendments
Staff Recommendations

That SDHC recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

1) Approve the proposed amendments to SDHC's Multifamily Mortgage Revenue Bond Policy PO300.301 to update the policy:

   – To reflect a change in the IRS regulations regarding posting of notices,
   – To streamline the approval process, and
   – To bring the policy into conformance with similar agencies' Bond Programs.

   Changes to the policy will apply only to bond issuances in progress and new bond applications received after the Housing Authority's proposed approval; and

2) Authorize SDHC's President & CEO, or designee, to perform such acts as necessary or appropriate to implement this approval and administer SDHC's Bond Program, upon the advice of General Counsel.

Questions & Comments