



## INFORMATIONAL REPORT

**DATE ISSUED:** March 12, 2015 **REPORT NO:** HCR15-026

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 19, 2015

**SUBJECT:** Multifamily Bond Program - Annual Status Report for 2014

**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 (Bond Program) for the year ending December 31, 2014. During calendar year 2014, the Bond Program issued \$66,850,791 in tax-exempt multifamily bonds to provide financing for five affordable rental projects. At the end of 2014, the Housing Commission's Bond Program administered (including new issues) approximately \$611,994,606 in multifamily tax-exempt bond financing for 57 projects with 8,884 units including 7,090 units restricted at various levels of affordability (Attachment 1).

#### **BACKGROUND**

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

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 San Diego City Council (City Council) to initiate and complete financings.

##### **1. Bond Inducement**

The adoption of an Official Intent Resolution (bond inducement) is the initial step required by the Internal Revenue Service (IRS) 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 to 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 (financial advisor and bond counsel) to determine the feasibility of the financing, structure a proposal for the issuance of bonds, and 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. The elected legislative body for the City, 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 14 days prior to the scheduled meeting. The purpose of the TEFRA 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 (which includes 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 bond inducement resolution and proof of credit enhancement and/or a 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**

After the due diligence process is completed by the Developer and financing team members and all entitlements and financing commitments are received, the project is presented to the Housing Authority for final bond approval. The Housing Authority retains absolute discretion over the issuance of bonds by the adoption of a final resolution authorizing the issuance. Once approved, projects typically begin construction / rehabilitation within 30 days.

## **Program Administration**

In addition to its role in the bond issuance process, Housing Commission staff also administers a portfolio of 57 bond issuances currently totaling \$611,994,606. Primarily these functions involve: monitoring the affordable income and rent restrictions, administrative fee monitoring, and providing certain post-issuance compliance monitoring and reporting as required by CDLAC. Other activities include periodic selection of financial consultants, reviewing project transfers and credit facility transfers or extensions, coordinating bond requirements on bond expirations and bond refundings, reviewing/approving bond payoffs, overseeing bond requirements with ownership transfers, and providing technical assistance to affordable housing developers. The Housing Commission's origination fee for each financing under the Multifamily Bond Program is 0.25 percent of the bond issuance amount or as allowed by IRS regulations. The Housing Commission's annual administrative fee is .0125 percent of the outstanding bond amount or as allowed by IRS regulations. These fees pay for ongoing compliance monitoring and bond program administration. Issuer fees collected in 2014 totaled \$1,341,604.

The 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 2014 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) (\$39,450 for a family of four during 2014), 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 of AMI (\$47,340 for a family of four during 2014), as adjusted for family size. However, California state law further requires that at least 10 percent of the units be restricted to 50 percent of AMI. As a result, projects financed with tax-exempt bonds must set aside at least 20 percent of the units at 50 percent of AMI or 10 percent of the units at 50 percent of AMI and 30 percent of the units at 60 percent of AMI.

Required Set Aside Criteria	Minimum Percent of Units	Percent of AMI	Max. Income
Federal Requirement-Alternative #1	20	50 percent	\$39,450
Federal Requirement-Alternative #2	40	60 percent	\$47,340
Plus State Set Aside Requirement:	10	50 percent	\$39,450

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	\$39,450		\$3,288		\$986		(\$40)		\$946
60% AMI	\$47,340		\$3,945		\$1,184		(\$40)		\$1,144

**Calendar Year 2014 Program Activities: New Money Issuances**

During calendar year 2014, the program provided \$66,850,791 in multifamily tax-exempt bond financing for five affordable projects, as compared to \$81,170,000 issued in 2013 with four affordable projects. A comparison of recent years' bond issuances is as follows:

<b>2014 Bond Issuances Comparison to Prior Years</b>			
<b>Years</b>	<b>Multifamily Tax- exempt Bonds Issued</b>	<b>Number of Affordable Projects</b>	<b>Affordable Units Restricted</b>
2014	\$66,850,791	5	517
2013	\$81,170,000	4	417
2012	\$40,925,000	2	216
2011	\$41,087,180	4	383
2010	\$5,400,000	1	30

These five projects are composed of 525 rental units, 517 of which will be affordable to low and very low-income households. Descriptions of the projects are 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.

City Heights 10 – Scattered Sites (132 total / 129 restricted units), Council District 9

On February 12, 2014, the Housing Authority issued \$8,000,000 in tax-exempt multifamily housing revenue bonds to finance the rehabilitation of 10 scattered sites composed of 132-units in the City Heights neighborhood. The developer was Wakeland Housing & Development Corporation and City Heights CDC. City Heights 10 LP is the ownership entity. Of the 129 affordable units in the rehabilitation, 114 are restricted at 50 percent AMI and 15 are restricted at 60 percent AMI. The affordability period is 55 years. In addition to bonds, the project is financed with 4 percent tax credit equity, an assumed prior Housing Commission loan, and a General Partner contribution.

Alpha Square – Market Street and 14<sup>th</sup> Street (53 total / 53 restricted units), Council District 3

The Housing Authority issued \$6,200,000 in tax-exempt multifamily housing revenue bonds on March 13, 2014 to finance a 53-unit portion of the 203-unit Alpha Square development. The project was vertically subdivided into a 150-unit 9 percent tax credit project and a 53-unit 4 percent tax credit and tax-exempt bond project. The developer is Chelsea Investment Corporation. Alpha Square 4% LP is the ownership entity with an affiliate of Alpha Project for the Homeless (Alpha) as Managing General Partner. The project’s 53 living units are restricted at 45 percent AMI. The affordability period is 55 years. The project is financed with: bonds, 4 percent tax credit equity, a City land lease, a City loan, a developer fee contribution and Project-Based Housing Choice Vouchers.

Independence Point – 327 South Willie James Jones Avenue (32 total / 31 restricted units), Council District 4

On July 18, 2014, the Housing Authority issued \$7,525,000 in tax-exempt multifamily housing revenue bonds to finance the new construction of the 32-unit Independence Point development (formerly known as Willie James Jones Apartments). The developer is Chelsea Investment Corporation and WJJ CIC LP is the ownership entity. Of the project’s 31 affordable units, 12 are restricted at 30 percent AMI, four are restricted at 40 percent AMI, 12 are restricted at 50 percent AMI, and three are restricted at 60 percent AMI. The affordability period is 55 years. The project is financed with: bonds, 4 percent tax credit equity, a Housing Commission loan, an Infill Infrastructure Grant, deferred developer fee, and a General Partner contribution.

Westminster Manor – 1730 Third Avenue (152 total / 150 restricted units), Council District 3

On November 18, 2014, the Housing Authority issued \$27,300,791 in tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 152-unit Westminster Manor senior apartments project located in the Uptown Community Planning Area. The developer is Chelsea Investment Corporation and Westminster Manor LP is the ownership entity. Of the project's 150 affordable units, 16 are restricted at 30 percent AMI and 134 are restricted at 60 percent AMI. The affordability period is 55 years. The project is financed with bonds, 4 percent tax credit equity, a seller note, and a developer equity contribution.

San Diego Square – 1055 Ninth Avenue (156 total / 154 restricted units), Council District 3

On November 25, 2014, the Housing Authority issued \$17,825,000 in tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 156-unit San Diego Square project located in downtown. The developer is Housing Development Partners and HDP Broadway LP is the ownership entity. Of the project's 154 affordable units, 32 are restricted at 50 percent AMI and 122 are restricted at 60 percent AMI. The affordability period is 55 years. The project is financed with bonds, 4 percent tax credit equity, a seller carryback note, and U.S. Department of Housing and Urban Development (HUD) Project-Based Housing Vouchers.

**Miscellaneous**

The California Statewide Communities Development Agency (CSCDA), working with the County of San Diego, issued \$16,000,000 in tax-exempt multifamily housing revenue bonds for Rio Vista Apartments (161 units located at 1190 West San Ysidro Boulevard, San Diego). The Multifamily Mortgage Revenue Bond Program Policy PO300.301, in limited situations, allows other issuers to issue bonds for housing projects located in the City. In 2014, the Bond Program received a \$40,000 issuer fee for Rio Vista Apartments.

**Pipeline:**

At the close of 2014 the multifamily tax-exempt bond financing pipeline included two affordable projects scheduled to close in early 2015:

Rancho del Sol – Carmel Valley Road and Clarkview Lane (96 total / 95 restricted units), Council District 1

On January 13, 2015, the Housing Authority issued up to \$17,363,000 in tax-exempt multifamily housing revenue bonds to finance the new construction of the 96-unit Rancho del Sol apartment project (located in Unit 24, Pacific Highlands Ranch, North City Future Urbanizing Area). The developer is Chelsea Investment Corporation.

Cielo Carmel – Carmel Valley Road and Edgewood Bend Court (197 total / 195 restricted units), Council District 1

On February 3, 2015, the Housing Authority authorized the issuance of up to \$34,600,000 in tax-exempt multifamily housing revenue bonds to finance the new construction of the 197-unit Cielo Carmel apartment project (located in Unit 13, Pacific Highlands Ranch, North City Future Urbanizing Area). The project will be bifurcated into a 107-unit phase (Cielo Carmel I) and 90-unit phase (Cielo Carmel II). The developer is Affirmed Housing Group.

**Expirations**

Periodically, bond-financed projects fulfill their obligations under the Bond Regulatory Agreements through the expiration of affordability restrictions and paying off (redeeming) outstanding bonds. During 2014, there was one “expiration” project. On December 22, 2014, the 156-unit North Park Apartments project paid off all outstanding bonds. The Bond Regulatory Agreement was terminated and the rent restrictions expired.

**Fiscal Impact**

In 2014, the Housing Commission received \$207,128 in Bond Program issuer fees, including: \$20,000 for City Heights 10, \$15,500 for Alpha Square, \$18,813 for Independence Point, \$68,252 for Westminster Manor, \$44,563 for San Diego Square, and \$40,000 for Rio Vista Apartments. Also in 2014, the Housing Commission received approximately \$1,134,476 in annual bond administrative fees. These issuer fees and annual administrative fees are classified as local revenues in the Housing Commission’s Budget.

**CONCLUSION**

During calendar year 2014, the Housing Commission’s Bond Program participated in four bond financings totaling \$66,850,791. The five bond issuances financed 525 rental units, 517 of which will be affordable to low-income and very-low-income households.

Respectfully submitted,

*Cameron Shariati*

Cameron Shariati  
Assistant Real Estate Manager  
Real Estate Division

Approved by,

*Deborah N. Ruane*

Deborah N. Ruane  
Senior Vice President  
Real Estate Division

Attachments: 1) Summary of Bond Financed Projects Calendar Year Ending 2014

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).

**ATTACHMENT 1  
SUMMARY OF BOND FINANCED PROJECTS  
THROUGH CALENDAR YEAR 2014**

Project	Address	Council District	Community	Issue Date	Principal Amount	Total Units	Restricted Units	Project Type	
1	16th and Market	640 16th Street	3	Downtown	6/26/07	\$ 2,945,214	136	134	New Construction
2	Alabama Manor	3822-3866 Alabama Street	3	Greater North Park	4/19/07	\$ 928,036	67	66	Acq/Rehab
3	Bay Vista Methodist Heights	4888 Logan Avenue	4	Encanto	2/7/08	\$ 24,190,000	268	267	Acq/Rehab
4	Beyer Courtyard Apartments	920 Beyer Boulevard	8	Otay Mesa-Nestor	10/22/04	\$ 4,321,359	60	59	New Construction
5	Boulevard Apartments	3137 El Cajon Blvd	3	Greater North Park	5/9/08	\$ -	24	23	New Construction
6	Bridgeport Properties	Scattered sites		(multiple sites)	10/15/98	\$ -	421	421	Acq/Rehab
7	Canyon Rim Apartments	10931 Gerana Street	5	Rancho Penasquitos	6/21/00	\$ 32,440,000	504	352	Acq/Rehab
8	Casa Colina del Sol Apts	5207 52nd Place	9	Mid-City City Heights	11/21/03	\$ 3,125,000	75	74	Acq/Rehab
9	City Scene Apartments (2010)	4105 Georgia Street	3	Greater North Park	11/23/10	\$ 5,400,000	31	30	New Construction
10	Colina Park North	4333 Dawson Avenue	9	Mid-City City Heights	12/20/07	\$ -	64	63	Acq/Rehab
11	Creeside Village Apartments	4685 Nogal Street	4	Encanto	6/24/99	\$ 6,000,000	144	43	Acq/Rehab
12	Del Sol Apartments	3606-3690 Del Sol Boulevard	8	Otay Mesa-Nestor	9/1/06	\$ 4,623,524	91	90	Acq/Rehab
13	Delta Village Apartments	4368 Delta Street	9	Southeastern San Diego	6/29/05	\$ 6,400,000	108	107	Acq/Rehab
14	Fairbanks Ridge	Paseo del Sur and Babcock St	5	Black Mountain Ranch	6/28/05	\$ 12,360,228	204	203	New Construction
15	Harbor View Villas Apartments	404 North 47th Street	4	Encanto	11/28/01	\$ 2,710,000	60	59	Acq/Rehab
16	Hillside Gardens Apartments	5802 University Avenue	9	Mid-City Eastern	12/24/04	\$ 37,510,000	380	76	Acq/Rehab
17	Hollywood Palms	4366 Home Avenue	9	Mid-City City Heights	8/7/01	\$ 5,005,000	94	94	New Construction
18	Island Village Apartments	1245 Market Street	3	Downtown	12/31/01	\$ 9,790,000	281	280	New Construction
19	President John Adams Manor Apartments	5471 Bayview Heights Place	4	Mid-City Eastern	9/21/98	\$ 7,484,000	300	300	Acq/Rehab
20	Kalos Apartments (2011)	3783-3825 Florida Street	3	Greater North Park	7/20/11	\$ 14,588,000	83	82	New Construction
21	Logan Square Apartments (Bella Vista)	4742 Solola Avenue	4	Skyline - Paradise Hills	7/11/02	\$ 8,907,995	170	169	Acq/Rehab
22	Mariner's Cove Apartments	4392 W.Point Loma Blvd	2	Ocean Beach	8/20/93	\$ 4,655,000	500	100	New Construction
23	Market Street Square Apts.	606 Third Avenue	3	Downtown	10/7/96	\$ 6,085,000	192	40	New Construction
24	Maya Apartments	10101 Maya Linda Road	6	Mira Mesa	6/17/05	\$ 4,490,500	132	41	Acq/Rehab
25	Mirada Apartments	7568 Charmant Drive	1	University	8/12/96	\$ 39,601,440	444	89	New Construction
26	Mission Apts (2011)	1815-1875 Hancock Street	2	Midway - Pacific Highway	5/27/11	\$ 8,276,180	85	84	New Construction
27	Mountain View Estates Apts	4066 Messina Drive	4	Southeastern San Diego	4/24/98	\$ 35,975,000	145	97	Acq/Rehab
28	North Park Properties	4238 54th Pl. & 4501 Logan Ave	9	Mid-City Eastern & Southeastern San Diego	5/26/99	\$ 8,610,000	166	165	Acq/Rehab
29	Parkside Apartments	4010-4050 Park Haven Court	4	Southeastern San Diego	11/21/01	\$ 887,932	40	39	Acq/Rehab
30	Parkside Terrace	505 13th Street	3	Downtown	3/3/08	\$ 4,647,096	77	76	New Construction
31	Rancho del Norte	16775 Sainsbury Glen	5	Black Mountain Ranch	10/3/05	\$ 5,985,000	119	118	New Construction
32	Redwood Villa	3060 53rd Street	4	Mid-City Eastern	9/14/07	\$ 2,370,000	92	90	Acq/Rehab
33	Regency Centre Apartments	4765 Home Avenue	9	Mid-City City Heights	7/14/00	\$ 3,418,372	100	99	Acq/Rehab
34	Sorrento Tower Apts (2011)	2875 Cowley Way	2	Clairemont Mesa	4/29/11	\$ 14,260,000	198	197	Acq/Rehab
35	Stratton Apartments	5765 Mount Alifan Drive	6	Clairemont Mesa	6/21/00	\$ 19,825,000	312	218	Acq/Rehab
36	Studio 15 Apartments	70 15th Street	3	Downtown	10/25/06	\$ 8,330,000	275	273	New Construction
37	Summit Crest Apartments	4328-4490 Mayberry Street	9	Southeastern San Diego	11/13/01	\$ 2,855,000	70	28	Acq/Rehab
38	Ten Fifty B	1050 B Street	3	Downtown	5/9/08	\$ 9,590,446	229	226	New Construction
39	Terramar Apartments (2011)	13481-13483 Silver Ivy Lane	5	Torrey Highlands	7/27/11	\$ 3,963,000	21	20	New Construction
40	Torrey Highlands Apartments	13370 Torrey Meadows Drive	5	Torrey Highlands	7/20/01	\$ -	76	75	New Construction
41	Villa Andalusia Apartments	6587-6595 Rancho Del Sol Way	1	Pacific Highlands Ranch	6/27/02	\$ 1,565,000	32	31	New Construction
42	Villa Glen Apartments	6984-6996 Torrey Santa Fe Rd.	5	Torrey Highlands	6/27/02	\$ 1,195,000	26	25	New Construction
43	Villa Nueva	3604 Beyer Blvd.	8	San Ysidro	9/13/07	\$ 37,500,000	398	395	Acq/Rehab
44	Village Green Apartments	4140 Bonillo Drive	4	Mid-City Eastern	10/1/09	\$ 6,461,493	93	92	Acq/Rehab
45	Windwood Village Apartments	12730-12770 Briarcrest Place	1	Pacific Highlands Ranch	9/25/02	\$ 3,780,000	92	91	New Construction
46	Vista La Rosa	2002 Rimbey Avenue	8	Otay Mesa-Nestor	7/19/00	\$ -	240	240	Acq/Rehab
47	Knox Glen Apartments (2012)	4754 Logan Avenue	4	Encanto	11/7/12	\$ 5,025,000	54	53	Acq/Rehab
48	Fairbanks Commons (2012)	Camino San Bernardo & Nighthawk Lane	5	Black Mountain Ranch	12/12/12	\$ 35,900,000	165	163	New Construction
49	Celadon (2013)	929 Broadway	3	Downtown	2/1/13	\$ 21,600,000	121	120	New Construction
50	COMM 22 Family Housing (2013)	2225 and 2325 Commercial St.	8	Logan Heights	2/27/13 & 5/30/13	\$ 28,700,000	130	129	New Construction
51	COMM 22 Senior Housing (2013)	690 Beardsley Street	8	Logan Heights	10/8/13	\$ 15,500,000	70	69	New Construction
52	Fairbanks Square (2013)	16050 Potomac Ridge Road	5	Black Mountain Ranch	11/27/13	\$ 15,364,000	100	98	New Construction
	<b>Subtotal</b>					<b>\$ 545,143,815</b>	<b>8359</b>	<b>6573</b>	
53	City Heights Scattered Sites (2014)	Scattered sites	9	Mid-City City Heights	2/12/14	\$ 8,000,000	132	129	Acq/Rehab
54	Alpha Square (2014)	Market Street & 14th Street	3	Downtown	3/13/14	\$ 6,200,000	53	53	New Construction
55	Independence Point (Willie James Jones) (2014)	327-405 South Willie James Jones Avenue	4	Encanto	7/18/14	\$ 7,525,000	32	31	New Construction
56	Westminster Manor (2014)	1730 Third Avenue	3	Uptown	11/18/14	\$ 27,300,791	152	150	Acq/Rehab
57	San Diego Square (2014)	1055 Ninth Avenue	3	Downtown	11/25/14	\$ 17,825,000	156	154	Acq/Rehab
	<b>Subtotal</b>					<b>\$ 66,850,791</b>	<b>525</b>	<b>517</b>	
	<b>Totals:</b>					<b>\$ 611,994,606</b>	<b>8,884</b>	<b>7,090</b>	

Affordable Units Project Type	
	2816 New Construction
+	4274 Acq/Rehabilitation
	<b>7090 Total Affordable Units</b>