

REPORT

DATE ISSUED: June 11, 2009 REPORT NO: HCR 09-060
ATTENTION: Chair and Members of the Housing Commission
For the Agenda of June 19, 2009
SUBJECT: Preliminary Items Pursuant to Bond Financing Secured by Properties
Owned by the Housing Commission (Citywide)

REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds payable from and secured in whole or in part by some or all of 1366 rental housing units (the "Existing Units") located throughout the City and previously transferred to the Housing Commission from the Housing Authority, as approved by the U.S. Department of Housing and Urban Development ("HUD"). Proceeds of the financing would be used to acquire and develop rental properties to satisfy the Housing Commission's obligations to HUD to acquire or construct not less than 350 additional units (the "New Units") of affordable rental housing.

STAFF RECOMMENDATION:

Housing Commission recommends that the:

- A. Housing Authority approve a bond inducement resolution (a declaration of official intent) for up to \$200 million in taxable and/or tax-exempt rental housing revenue bonds secured by some or all of the Existing Units, with proceeds to be applied to pay costs of the New Units.
- B. Housing Commission approve Orrick, Herrington & Sutcliffe as bond counsel.
- C. Authorize the President and Chief Executive Officer (CEO) of the Housing Commission, or a designee, to execute necessary documents.

BACKGROUND:**The Financing**

The Existing Units consist of 1,366 units located throughout the City, made up of 68 parcels with one to four units and 70 parcels with five to 243 units. The units can be classified into three primary groups: four properties with 429 units total; 65 properties of greater than five units each (791 units total), and 69 in 1-4 unit buildings (146 units total). The Commission owns the Existing Units outright. The Commission believes, based on advice from its financial advisor, that borrowing against the revenue stream of the Existing Units in one or more tranches will raise approximately \$75 million of proceeds that can be applied to the acquisition and development of the New Units.

The Commission intends to utilize bonds issued by the Housing Authority to fund the New Units. The Bonds will be payable primarily from revenues of the Existing Units and secured by deeds of trust recorded against the Existing Units. The Commission could also choose to pledge some or all of the New Units to the Bonds as needed. The Bonds will additionally be secured by credit enhancement from Fannie Mae, Freddie Mac, FHA (in the form of a GNMA mortgage-backed security) or some other provider or may be privately placed with institutional or other accredited investors.

The Housing Authority expects to issue tax-exempt bonds and/or to take advantage of the Build America Bonds opportunity presented by the American Recovery and Reinvestment Act of 2009 (also known as the Stimulus Bill). Build America Bonds are a new type of bond available to governmental issuers in which interest on the bonds is taxable – most governmental bonds pay tax-exempt interest – but the issuer of the bond receives a direct subsidy payment from the federal government in the amount of 35% of the interest paid on each interest payment date. The State of California recently issued several billion dollars of Build America Bonds to fund a variety of infrastructure and other costs. Market participants generally believe that the 35% direct subsidy payment is worth more to issuers than the lost tax-exemption on the bonds, so eligible issuers are making use of Build America Bonds when it is to their advantage. Because the Housing Authority and Housing Commission are governmental entities and the Commission intends to own and operate all of the New Units, either itself, or through a wholly owned related entity, the Housing Authority is eligible to issue Build America Bonds for this purpose. Build America Bonds must be issued no later than December 31, 2011.

Housing Affordability

The 1,366 units will have various levels of rent and income restrictions. State Health and Safety Code requires that at least 10% of the units to be restricted at 80% of Area Median Income (AMI) and another 10% of the units at 50% AMI.

Selection of the Financing Team Members

Staff recommends assigning Orrick, Herrington & Sutcliffe LLP as bond counsel to work on the project. Orrick Herrington has been selected in accordance with the existing policy for the issuance of bonds. Financial advisors and bond counsels are designated on a rotating basis from the firms selected under the program through a competitive RFP process.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the City or Housing Authority associated with the requested actions. Approval of the bond inducement resolution does not commit the Housing Authority to issue bonds. The bonds would not constitute a debt of the City of San Diego. If bonds are ultimately issued for the projects, the bonds will not financially obligate the City or the Housing Authority because security for the repayment of the bonds will be limited to the specific real estate encumbered. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds. The Housing Commission is responsible for the payment of all costs under the financing.

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Preliminary Items for Bond Financing of Housing Commission Properties

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PREVIOUS ACTION:

On November 18, 2008, the Housing Authority approved the Commission's plan regarding the public housing disposition and the creation of at least 350 additional units of affordable housing. All existing residents of Housing Commission owned units were notified regarding the restructuring of the Housing Commission's public housing portfolio. On March 24, 2009, the Housing Authority approved updating the Housing Commission's Real Estate Acquisitions Policy 300.103, and delegated, under specific conditions, to the President and Chief Executive Officer and the Board of Commissioners the authority to acquire single-family and multifamily properties for the purpose of providing additional affordable housing. The Housing Commission was also delegated the power and authority to acquire lending necessary and appropriate for any acquisition approved by it.

ENVIRONMENTAL REVIEW:

This proposed activity is not a project pursuant to the California Environment Quality Act (CEQA); therefore no CEQA environmental review is required. This activity is exempt from the National Environmental Policy Act (NEPA) pursuant to 58.34(a)(3).

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The Housing Commission is the key stakeholder. Other stakeholders include bond investors, residents of the City of San Diego in need of affordable housing; owners of property that will be acquired by the Housing Commission, real estate service companies involved in the various purchase transactions, such as real estate brokers and title companies.

Respectfully submitted,



D. Lawrence Clemens
Senior Vice President of Real Estate

Approved by,



Richard C. Gentry
President & Chief Executive Officer

Attachments: 1. Addresses of existing 1,366 Housing Commission Units

* Distribution of these attachments may be limited. Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1
List of Housing Commission Owned Properties

Address		Zip Code	No. Units
3501	1ST AVENUE	92103	22
2932	30TH STREET	92104	5
3012	30TH STREET	92104	5
3030	30TH STREET	92104	5
3217	30TH STREET	92104	5
4729	32ND STREET	92116	5
4541 #1 - 8	33RD STREET	92116	8
4632	33RD STREET	92116	5
4751	33RD STREET	92116	8
4720 - 4722	34TH STREET	92116	3
4756 - 4758	35TH STREET	92116	4
4254	36TH STREET	92104	5
4164 #1 - 8	37TH STREET	92105	8
4343	38TH STREET	92105	5
4575 - 4579	38TH STREET	92116	8
3010 #A - B	39TH STREET	92105	2
3617 - 3619	42ND STREET	92105	4
2628 - 2630	44TH STREET	92105	8
2716 - 2718	44TH STREET	92105	4
2734 - 2736	44TH STREET	92105	4
4225	44TH STREET	92115	6
4261	45TH STREET	92115	6
4078 #A - D	47TH STREET	92105	4
4286 - 4292	48TH STREET	92115	4
4566	51ST STREET	92115	5
3051	54TH STREET	92105	7
3280	A STREET	92102	2
3755 - 3761	ALABAMA STREET	92104	8
2005 - 2065	ALAQUINAS DRIVE	92173	66
4164	ALTADENA AVENUE	92105	6
4207 - 4209	ALTADENA AVENUE	92115	2
4479 - 4481	ALTADENA AVENUE	92115	8
4560	ALTADENA AVENUE	92115	8
4123	AREY DRIVE	92154	1
4080	ARIZONA STREET	92104	4
121-125	AVERIL ROAD	92173	14
3974 - 3984	BANCROFT STREET	92104	14
7705 - 7795	BELDEN STREET	92111	243
2955	BOSTON AVENUE	92113	5
178 - 190	CALLE PRIMERA	92173	70
2766	CARDINAL ROAD	92123	2
4147 - 4157	CHAMOUNE AVENUE	92105	6
3850	CHEROKEE AVENUE	92104	5
4054 - 4060 1/2	CHEROKEE AVENUE	92104	8
4360	CHEROKEE AVENUE	92104	5
4314	DARWIN WAY	92154	1
2326 - 2332	E. JEWETT STREET	92111	4
7105 - 7120	EASTMAN STREET	92111	36
4334	EBERSOLE DRIVE	92154	1
12643 - 12687	EL CAMINO REAL	92130	45
4181	ENERO STREET	92154	1
2477 - 2477 1/2 2479 - 2481	FAIRMOUNT AVENUE	92105	4
2701 - 2711	FIGUEROA BOULEVARD	92109	6
4081 - 4087 1/2	FLORIDA STREET	92104	8
7526 - 7580	FULTON STREET	92111	31
2615 - 2665	GENESEE AVENUE	92123	11
4450 - 4456 1/2	GEORGIA STREET	92116	8

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Address		Zip Code	No. Units
8637 - 8643	GLENHAVEN STREET	92123	4
8649 - 8655	GLENHAVEN STREET	92123	4
8661 - 8667	GLENHAVEN STREET	92123	4
8701 - 8707	GLENHAVEN STREET	92123	4
7891 - 7899	GOLFCREST DRIVE	92119	9
2045 - 2049	GRAND AVENUE	92109	6
3350 - 3356 1/2	GRIM AVENUE	92104	8
2381 - 2389	GROVE AVENUE	92154	41
4637 - 4643 1/2	HAMILTON STREET	92116	8
3081 - 3083	HAWTHORN STREET	92104	4
4416 #1 - 8	HIGHLAND AVENUE	92115	8
1351 - 1359	HOLLISTER STREET	92154	20
2644	HORNBLEND STREET	92109	5
8714 - 8720	HURLBUT STREET	92123	4
8726 - 8732	HURLBUT STREET	92123	4
1170	ILEXEY AVENUE	92154	1
1366	ILEXEY AVENUE	92154	1
3125	IVY STREET	92104	5
4205 - 4215	JUNIPER STREET	92105	20
4273 - 4283	JUNIPER STREET	92105	24
4230	KIMSUE WAY	92154	1
1255	KOSTNER DRIVE	92154	1
4259	LAYLA COURT	92154	1
4276	LAYLA COURT	92154	1
4256	LAYLA WAY	92154	1
4269	LAYLA WAY	92154	1
4274	LAYLA WAY	92154	1
7085 - 7095	LEVANT STREET	92111	14
4381 - 4387	LOUISIANA STREET	92104	8
4390	MAPLE STREET	92105	6
4339	MARCIA COURT	92154	1
4074	MARCWADE DRIVE	92154	1
4150	MARCWADE DRIVE	92154	1
4186	MARCWADE DRIVE	92154	1
4293	MARCWADE DRIVE	92154	1
4239	MARGE WAY	92154	1
4331	MARGE WAY	92154	1
4334	MARGE WAY	92154	1
4451 - 4459	MARKET STREET	92102	20
4131	MARYLAND STREET	92103	24
2727 - 2729	2739 - 2745 MEADE AVENUE	92116	6
5316	MEADE AVENUE	92115	30
8792	MIRA MESA BOULEVARD	92126	5
8816	MIRA MESA BOULEVARD	92126	5
5071 - 5077 1/2	MUIR AVENUE	92107	8
4890	NAPLES STREET	92110	4
1152	NEVIN STREET	92154	1
8505	NOELINE AVENUE	92114	1
4050 - 4056	OAKCREST DRIVE	92105	4
5974	OLD MEMORY LANE	92114	1
4352 #1 - 8	OREGON STREET	92104	8
4034	PETERLYNN COURT	92154	1
1232	PETERLYNN DRIVE	92154	1
1327	PETERLYNN DRIVE	92154	1
1405	PETERLYNN DRIVE	92154	1
1506	PETERLYNN DRIVE	92154	1

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Address	Zip Code	No. Units	
1530	PETERLYNN DRIVE	92154	1
4024	PETERLYNN WAY	92154	1
4180 - 4182	POPLAR STREET	92105	9
4055 - 4083	PULITZER PLACE	92122	50
2325	RACHEL AVENUE	92139	3
1128	RANSOM STREET	92154	1
1145	RANSOM STREET	92154	1
1169	RANSOM STREET	92154	1
5326 - 5328	REX AVENUE	92105	4
5330 - 5332 1/2	REX AVENUE	92105	4
5359 - 5389	SANTA MARGARITA	92114	32
7281 - 7289	SARANAC STREET	92115	7
5955 #1 - 4	STREAMVIEW DRIVE	92105	4
4233	STU COURT	92154	1
3755 - 3757	SWIFT AVENUE	92104	4
281 - 289	SYCAMORE ROAD (NORTH)	92173	24
391 - 417	SYCAMORE ROAD (WEST)	92173	41
402 - 412	SYCAMORE ROAD (EAST)	92173	24
6511 - 6517	TAIT STREET	92111	4
1041	TWINING AVENUE	92154	1
1144	TWINING AVENUE	92154	1
1250	TWINING AVENUE	92154	1
1317	TWINING AVENUE	92154	1
3630 - 3632	VAN DYKE AVENUE	92105	4
4043	WILSON AVENUE	92104	5

1,366