



SAN DIEGO
HOUSING
COMMISSION

NEWS RELEASE

December 9, 2010

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SAN DIEGO HOUSING COMMISSION RAISES CLOSE TO \$100 MILLION BY LEVERAGING EQUITY IN REAL ESTATE PORTFOLIO TO CREATE HUNDREDS OF ADDITIONAL AFFORDABLE HOUSING RENTAL UNITS FOR FAMILIES IN SAN DIEGO

San Diego, CA—Creation of more than [700 additional affordable housing](#) rental units for families in the City of San Diego is underway, the result of an entrepreneurial investment strategy being implemented by the San Diego Housing Commission to construct or acquire multi-family properties.

Acquisitions vary and include a new condominium complex that is now almost fully rented after falling into foreclosure, a downtown San Diego hotel being rehabilitated to preserve senior housing, and additional multi-family properties completely renovated and boasting tenant amenities such as new community centers.

[The Housing Commission's effort](#) reflects an approach similar to a proposed initiative by the U.S. Department of Housing & Urban Development (HUD) encouraging housing authorities to tap into their equity and create public-private partnerships to preserve and produce more affordable housing.

“We have entered a new era in the way affordable housing is generated in San Diego,” announced Richard C. Gentry, the agency’s President and CEO. “It is a model that other public housing authorities can follow.”

Through an innovative [Finance Plan](#) approved unanimously in 2009 by the San Diego Housing Authority and its Board of Commissioners, and endorsed by San Diego Mayor Jerry Sanders, the Housing Commission raised \$95 million in low-interest Fannie Mae and FHA mortgages by leveraging the equity of 1,366 housing units granted to the agency in a 2007 agreement with HUD.

“The initial housing portfolio financing was a pioneering use of conventional Fannie Mae and FHA debt coupled with a Federal interest rebate available for municipally-owned affordable housing,” said Marty Meagher, Senior Vice President of NorthMarq Capital. “The result is a very low cost of debt for the Commission which will generate capital to sustain the Commission’s efforts to continually expand its inventory of affordable housing.”

(MORE)

San Diego Housing Commission partners in developing the Finance Plan and securing the loans include Keyser Marston Associates, NorthMarq Capital, PNC Real Estate and Greystone Servicing Corporation.

To date, the San Diego Housing Commission has committed more than \$74 million to acquire directly or through development partnerships eight properties containing 720 affordable housing units, all required to remain affordable for at least 55 years. When completed over the next three years, the number of affordable housing units the Housing Commission owns will increase to more than 2,000.

The San Diego Housing Commission's ability to borrow against the equity of its public housing inventory is the result of a September 2007 agreement with HUD.

The agreement allowed San Diego to end its participation in the federal Public Housing Program and granted the Commission sole ownership and operating authority over its 1,366 multi-family housing units.

The Finance Plan far exceeds the conditions of the Housing Commission's 2007 agreement with HUD, which required the production of "at least 350 units of both low-income and workforce affordable housing" for "families with incomes not exceeding 80 percent of the median income at initial occupancy."

Portions of the financing take advantage of the federal Build America Bond (BAB) program, which provides an annual 35 percent interest rate rebate for the full term of the loans. The American Recovery and Reinvestment Act of 2009 created the Build America Bond program to encourage greater municipal investment by lowering financing costs as an alternative to tax exempt bonds.

The Finance Plan allowed the Housing Commission to pursue a prudent capital investment strategy that would provide a variety of new affordable housing opportunities, generate adequate income to service debt, and maintain the financial stability of the organization.

Finance Plan Background

- 40 percent of loan proceeds for acquisition of properties in partnership with local development corporations to provide affordable housing opportunities for families earning less than 60 percent of area median income (AMI); and
- 60 percent of loan proceeds for acquisition of properties the Housing Commission would own entirely, or own in partnership with other governmental entities, to provide affordable housing opportunities for families earning less than 80 percent AMI.

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The 40/60 split of loan proceeds was a key factor of the Finance Plan. While committed to partner with other developers to leverage public funds and provide very low income housing opportunities (40 percent of loan proceeds), the Housing Commission created a cash flow to service its debt and provide funding opportunities for future developments (60 percent of loan proceeds).

Creating Affordable Housing

Name	Property Information	Affordable units	Partner	Servin g	Completion
Arbor Village Apartments 4914-4998 Logan Ave San Diego, CA 92113	<ul style="list-style-type: none"> • Acquisition & Rehab • Occupied • SDHC Cost: \$7,900,000 • \$8 million to acquire land & provided loan for development • Total Cost: \$24 million 	111 and 1 Manager unit	LINC Housing Corporation	30-60% AMI	December 2010
Courtyard Apartments 4395 El Cajon Blvd San Diego, CA 92105	<ul style="list-style-type: none"> • New Condo Units Acquired in Foreclosure • SDHC Cost: \$7,586,000 • Total Cost: \$7.58 million • Build America Bond Program 	37	Direct Purchase	≤ 80% AMI	September 2010
Estrella del Mercado Apartments Southwest corner of Cesar Chavez Parkway and Main Street in Barrio Logan	<ul style="list-style-type: none"> • New Construction • Transit-Oriented Development • Includes 1st Major Grocery Store for Community • SDHC Cost: \$7 million • \$7 million to acquire the land & provided loan for development • Total Cost: \$43 million for apartment development 	91 and 1 Manager unit	Chelsea Investment Corporation; City of San Diego Redevelopment Agency	30-60% AMI	September 2012
Hotel Sandford 1301-1333 Fifth Ave San Diego, CA 92101	<ul style="list-style-type: none"> • Acquisition & Rehab • Occupied • Preserves Senior Housing • SDHC Cost: \$6,095,000 • Total Cost: \$12 million • Build America Bond Program 	129 and 1 Manager unit	Direct Purchase / Centre City Development Corporation	≤ 60% AMI	March 2012
Mariner's Village Apartments 6847 Potomac Street San Diego, CA 92139	<ul style="list-style-type: none"> • Acquisition & Rehab • Occupied • SDHC Cost: \$31,509,000 • Total Cost: \$31,509,000 • Build America Bond Program 	171 and 1 Manager unit	Direct Purchase	≤ 80% AMI	2011
Mission Apartments 1815-1875 Hancock St. San Diego, CA 92110	<ul style="list-style-type: none"> • New Construction • Transit-Oriented Development • SDHC Cost: \$6 million • \$6 million to acquire the land & provided loan for development • Total Cost: \$25.9 million 	84 and 1 Manager unit	AMCAL/City of San Diego Redevelopment Agency	≤ 60% AMI	June 2012
Riverwalk Apartments 1194 Hollister Street San Diego, CA 92154	<ul style="list-style-type: none"> • New Construction • Environmental Restorative Development • SDHC Cost: \$4,415,145 • \$4.47 million to acquire the land & provided loan for development 	49 and 1 Manager unit	Affirmed Housing Group	30-60% AMI	July 2011

	<ul style="list-style-type: none"> Total Cost: \$14.1 million 				
Vista Grande Apartments 5391 and 5411-5425 Santa Margarita Street San Diego, CA 92114	<ul style="list-style-type: none"> Acquisition & Rehab Occupied SDHC Cost: \$3,800,000 \$3.8 million to acquire the land & provided loan for development Total Cost: \$15.1 million 	48 and 1 Manager unit	Wakeland Housing & Development Corporation	30-50% AMI	June 2011

For more information, please visit the San Diego Housing Commission website at www.sdhc.org.

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