



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: March 17, 2023

HCR23-031

**SUBJECT:** Authorize the Housing Commission to Retire the Greystone Servicing Corporation Central SDHC FNMA, LLC Mortgage Loan and Partially Retire Mortgage Loans on the Kearny Vista and Valley Vista Apartments Properties, in Accordance with the Previous Approval of the Fiscal Year 2023 San Diego Housing Commission Annual Budget

COUNCIL DISTRICT(S): 3, 6, 7 and 9

ORIGINATING DEPARTMENT: Financial Services Department

CONTACT/PHONE NUMBER: Suket Dayal (619) 578-7608

**REQUESTED ACTION:**

Authorize the San Diego Housing Commission to retire the Greystone Serving Corporation Central SDHC FNMA, LLC mortgage loan and partially retire the JP Morgan Chase mortgage loans for the Kearny Vista and Valley Vista apartments properties.

**EXECUTIVE SUMMARY OF KEY FACTORS:**

- On May 5, 2022, and June 13, 2022, the Housing Commission Board and the Housing Authority of the City of San Diego, respectively, approved the Housing Commission's Fiscal Year 2023 Budget, which included the authority to reduce notes on Housing Commission--owned affordable housing properties.
- This will increase cash flow to stabilize Housing Commission properties and to support continued programming and future opportunities. This report provides further details on the proposed expenditures aligned with the previous Budget approval.
- A landmark agreement on September 10, 2007, between the Housing Commission and the U.S. Department of Housing and Urban Development (HUD) transferred full ownership and operating authority for 1,366 public housing units to the Housing Commission—the largest public housing conversion at the time.
- In exchange, the Housing Commission committed to leverage the equity in these former public housing units to create at least 350 additional affordable housing units—a number the Housing Commission far surpassed.
- A portion of the portfolio was leveraged utilizing the Fannie Mae (FNMA) conventional multifamily loan program with Greystone as the lender.
- The proposal to retire the Central SDHC FNMA, LLC loan would increase cash flow to the Housing Commission on an annual basis in the amount of \$1,154,868.
- On November 25, 2020, the Housing Commission acquired the properties now known as Kearny Vista and Valley Vista apartments to provide permanent affordable housing with supportive services for people experiencing homelessness.
- The Housing Commission obtained mortgage loans from JP Morgan Chase for these acquisitions.
- The proposed partially retire the JP Morgan Chase loans would increase cash flow to the Housing Commission on an annual basis in an estimated amount of \$697,800.



## REPORT

**DATE ISSUED:** March 10, 2023

**REPORT NO:** HCR23-031

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 17, 2023

**SUBJECT:** Authorize the Housing Commission to Retire the Greystone Servicing Corporation Central SDHC FNMA, LLC Mortgage Loan and Partially Retire Mortgage Loans on the Kearny Vista and Valley Vista Apartments Properties, in Accordance with the Previous Approval of the Fiscal Year 2023 San Diego Housing Commission Annual Budget

**COUNCIL DISTRICT:** 3, 6, 7 and 9

**REQUESTED ACTION:**

Authorize the San Diego Housing Commission to retire the Greystone Serving Corporation Central SDHC FNMA, LLC mortgage loan and partially retire the JP Morgan Chase mortgage loans for the Kearny Vista and Valley Vista apartments properties.

**STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions:

- 1) Authorize the Housing Commission to retire the Greystone Servicing Corporation (Greystone) Central SDHC FNMA, LLC loan, including a prepayment premium, in total amount up to \$11,970,796 in accordance with the previous approval of the Fiscal Year 2023 Housing Commission annual budget.
- 2) Authorize the Housing Commission to partially retire the JP Morgan Chase mortgage loan for Kearny Vista apartments in an amount up to \$10,000,000 in accordance with the previous approval of the Fiscal Year 2023 Housing Commission annual budget.
- 3) Authorize the Housing Commission to partially retire the JP Morgan Chase mortgage loan for Valley Vista apartments in an amount up to \$2,879,204 in accordance with the previous approval of the Fiscal Year 2023 Housing Commission annual budget.
- 4) Authorize the payment of fees, costs and expenses, including but not limited to legal, escrow and lender fees, necessary to complete these approvals, in an amount up to \$150,000 in accordance with the previous approval of the Fiscal Year 2023 Housing Commission annual budget.
- 5) Approve the transfer of title to the properties from Central SDHC FNMA, LLC to the Housing Commission and dissolution of Central SDHC FNMA, LLC.
- 6) Authorize the Housing Commission's President and Chief Executive Officer (President & CEO), or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

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### **SUMMARY**

On May 5, 2022, and June 13, 2022, the Housing Commission Board and the Housing Authority of the City of San Diego, respectively, approved the Housing Commission's Fiscal Year 2023 Budget, which included the authority to reduce notes on Housing Commission-owned affordable housing properties in order to increase cash flow to stabilize Housing Commission properties and to support continued affordable housing and homelessness programming and future opportunities in these areas. This report provides further details on the proposed expenditures aligned with the previous Budget approval.

### **Central FNMA Greystone Loan**

A landmark agreement on September 10, 2007, between the Housing Commission and the U.S. Department of Housing and Urban Development (HUD) transferred full ownership and operating authority for 1,366 public housing units to the Housing Commission—the largest public housing conversion at the time. The Housing Commission paid HUD \$1,366—a nominal \$1 per unit—to acquire 137 properties with a combined fair market value of \$124.2 million. All the properties were debt-free. In exchange, the Housing Commission committed to leverage the equity in these former public housing units to create at least 350 additional affordable housing units—a number the Housing Commission far surpassed.

A portion of the portfolio was leveraged utilizing the Fannie Mae (FNMA) conventional multifamily loan program with Greystone as the lender. As a condition of the program, 566 of the 1,366 units were grouped into three FNMA loan pools and transferred to newly created Housing Commission wholly owned Limited Liability Companies (LLCs). The loans closed on December 30, 2009, and consisted of the following entities and amounts:

<b><u>Entity</u></b>	<b><u>Loan Amount</u></b>
Belden SDHC FNMA, LLC	\$ 12,320,000
Northern SDHC FNMA, LLC	10,810,000
Central SDHC FNMA, LLC	<u>14,010,000</u>
<b>Total FNMA Loans</b>	<b>\$ 37,140,000</b>

Pursuant to the promissory note held by Greystone, the Housing Commission may prepay all (but not less than all) of the unpaid principal prior to maturity. A prepayment premium shall be payable in connection with any prepayment through December 2024. The prepayment premium is calculated at the greater of 1 percent or prevailing interest rates yield maintenance calculation.

The proposal to retire the Central SDHC FNMA, LLC loan would increase cash flow to the Housing Commission on an annual basis in the amount of \$1,154,868. Upon completion of paying off the loan, the LLC would be dissolved, and title would be transferred back to the Housing Commission. Loan details are shown in the table below. Fees associated with the transaction are estimated to be up to \$100,000.

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**Loan Details**

	<b>Fannie Mae Central</b>
Balance March 2023	\$ 11,186,298
Estimated Prepayment Premium	784,498
Interest Rate	7.32%
Annual Debt Service	1,154,868
Maturity Date	January 1, 2040

**SITE DESCRIPTION**

The Central SDHC FNMA, LLC properties include the following sites:

<b><u>Address</u></b>	<b><u>Units</u></b>
2932 30th St.	5
3012 30th St.	5
3030 30th St.	5
3217 30th St.	5
4729 32nd St.	5
4541 33rd St.	8
4632 33rd St.	5
4751 33rd. St.	8
4254 36th St.	5
4164 37th St.	8
4343 38th St.	5
4575-4579 38th St.	8
3755-3761 Alabama St.	8
3974-3984 Bancroft	14
3850 Cherokee Ave.	5
4054-4060 1/2 Cherokee Ave.	8
4360 Cherokee Ave.	5
4081-4087 1/2 Florida St.	8
4450-4456 1/2 Georgia St.	8
7891-7899 Golfcrest Dr.	9
3350-3356 1/2 Grim Ave.	8
4637-4643 1/2 Hamilton St.	8
3125 Ivy St.	5
4381-4387 Louisiana	8
2727-2745 Meade Ave.	6
4352 Oregon St.	8
4043 Wilson Ave.	5
<b>Total Units</b>	<b>185</b>

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### **Kearny Vista and Valley Vista JP Morgan Chase Loans**

On November 25, 2020, the Housing Commission acquired the property at 5400 Kearny Mesa Road, San Diego, CA 92111, in the Kearny Mesa neighborhood of central San Diego, which is now operated as Kearny Vista Apartments. The property consists of 142 affordable rental housing units with supportive services for people who previously experienced homelessness and two managers' units. The property was acquired for \$39,500,000 with an original mortgage loan of \$17,425,852.

On November 25, 2020, the Housing Commission also acquired the property at 1865 Hotel Circle South, San Diego, CA 92108, in the Hotel Circle neighborhood of central San Diego, which is now operated as Valley Vista Apartments. The property consists of 190 affordable rental housing units with supportive services for people who previously experienced homelessness and two managers' units. The property was acquired for \$67,000,000 with an original mortgage loan of \$32,840,399.

Pursuant to the promissory notes held by JP Morgan Chase, the Housing Commission may partially retire the loan in years two through five without penalty or premium.

The proposed partial retirement of the JP Morgan Chase loans would increase cash flow to the Housing Commission on an annual basis in an estimated amount of \$697,800. Loan details are shown in the table below. Fees associated with the transaction are estimated to be up to \$50,000.

#### **Before Partial Retirement of Loan**

	<b>Kearny Vista</b>	<b>Valley Vista</b>
Balance March 2023	\$ 16,692,603	\$ 31,434,029
Interest Rate	3.39%	3.29%
Annual Debt Service	926,205	1,723,745
Maturity Date	November 24, 2030	November 24, 2030
Balloon Payment Due at Maturity	13,607,438	25,544,400

#### **After Partial Retirement of Loan**

	<b>Kearny Vista</b>	<b>Valley Vista</b>
Proposed Payment	\$ 10,000,000	\$ 2,879,204
Balance after Payment	6,749,265	28,663,545
Interest Rate	3.39%	3.29%
Estimated Annual Debt Service	375,624	1,576,525
Maturity Date	November 24, 2030	November 24, 2030
Balloon Payment Due at Maturity	5,477,274	23,189,039

### **EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE**

The Housing Commission's Strategic Plan for Fiscal Year (FY) 2022-2024 includes the following

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statement regarding the Housing Commission’s commitment to equity and inclusivity: “At SDHC, we are about people. SDHC embraces diverse approaches and points of view to improve our programs, projects and policies.

- We believe in delivering programs and services in innovative and inclusive ways.
- We are committed to advancing equity and inclusion both internally and externally.”

**HOUSING COMMISSION STRATEGIC PLAN**

This item relates to Strategic Priority Area No. 1 in the Housing Commission’s Strategic Plan for Fiscal Year (FY) 2022-2024, Increasing and Preserving Housing Solutions, and the Core Value of belief in transparency and being good financial stewards.

**FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action were included and approved by the Housing Authority when it approved the FY 2023 Housing Commission budget. This report proposes finalization of the action contemplated when the FY 2023 Budget was approved.

Funding sources and uses will be as follows:

FY 2023 Funding Sources

Federal - Moving to Work		\$	25,000,000
	<b>Total</b>		<b>25,000,000</b>

FY 2023 Funding Uses

Mortgage Loan			24,065,502
Prepayment Premium			784,498
Legal, Lender, Escrow Fees			150,000
	<b>Total</b>	<b>\$</b>	<b>25,000,000</b>

**PREVIOUS HOUSING COMMISSION BOARD, COUNCIL and/or COMMITTEE ACTION**

On September 11, 2009, and October 13, 2009, respectively, the Housing Commission Board and the Housing Authority of the City of San Diego (Housing Authority) approved the Finance Plan to leverage the equity in the public housing units that had been transferred to the Housing Commission to create and preserve additional affordable rental housing units (Housing Commission Report No. HCR09-085. Housing Authority Report No. HAR09-030 and Resolution No. HA-1437).

On September 18, 2020, and October 13, 2020, respectively, the Housing Commission Board and the Housing Authority of the City of San Diego (Housing Authority) approved the execution of a Purchase and Sale Agreement for the properties at 5400 Kearny Mesa Road, San Diego, CA 92111 and 1865 Hotel Circle South, San Diego, CA 92108 (Housing Commission Report No. HCR20-081. Housing Authority Report No. HAR20-029 and Resolution HA-1880).

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

Key stakeholders include Greystone, JP Morgan Chase and the Housing Commission.

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**ENVIRONMENTAL REVIEW**

The activities described in the report are not a project as defined in California Environmental Quality Act (CEQA) Section 15378(b)(5) as they are administrative activities of government that will not result in direct or indirect physical changes in the environment and, therefore, are not subject to CEQA pursuant to Section 15060(c)(3) of the State CEQA Guidelines. The activities would also be categorically exempt under Section 15301 (Existing Facilities), which allows the operation, repair, maintenance permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

*Suket Dayal*

Suket Dayal  
Executive Vice President of Business Administration  
and Chief Financial Officer  
San Diego Housing Commission

Approved by,

*Jeff Davis*

Jeff Davis  
Interim President and Chief Executive Officer  
San Diego Housing Commission

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).