



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: March 17, 2023

HCR23-039

SUBJECT: Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Ulric Street Apartments

COUNCIL DISTRICT: 7

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Jennifer Kreutter (619) 578-7709

REQUESTED ACTION:

Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing approving the Housing Authority's reissuance of tax-exempt Multifamily Housing Revenue Bonds of \$28,873,073.01 to Ulric Street Housing Associates, L.P. in order to not adversely affect the tax-exempt status of the bonds by reason of a Second Amendment to the Bond Loan Documents for Ulric Street Apartments, a 96-unit development at 2645-2685 Ulric Street in the Linda Vista Community Planning Area, which consists of 95 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of the San Diego Area Median Income (AMI) and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On September 18, 2020, and September 29, 2020, the Housing Commission Board (Report No. HCR20-089) and the Housing Authority (Report No. HAR20-033), respectively, approved taking final authorization steps to issue \$28,873,073.01 of tax-exempt Multifamily Housing Revenue Bonds and \$6,000,000 in taxable bonds to finance the new construction of Ulric Street Apartments.
- Ulric Street Apartments has completed construction and received its Certificate of Occupancy on February 1, 2023. The project is currently leasing up its 95 units.
- Recently, the owner of the bonds, U.S. Bank National Association, and the project owners, Ulric Street Housing Associates, L.P., have advised the Housing Commission that they wish to amend the bond documents as a result of missing a deadline to complete the project by a certain date and uphold certain insurance requirements.
- To avoid having to prepay a significant portion of the bonds, a TEFRA hearing and City Council approval is required so that a Second Amendment to the Bond's Loan Documents can be executed without resulting in the loss of tax-exempt status of the bonds.
- The Housing Commission Board is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906).
- As the bonds were initially issued in 2020 and fees were collected with the bond issuance, there is no anticipated budget impact with this TEFRA hearing.



REPORT

DATE ISSUED: March 10, 2023

REPORT NO: HCR23-039

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

SUBJECT: Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Ulric Street
Apartments

COUNCIL DISTRICT: 7

REQUESTED ACTION

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing is scheduled to be heard by the San Diego Housing Commission (Housing Commission) Board of Commissioners on March 17, 2023, at 9 a.m. Any two members of the Housing Authority of the City of San Diego (Housing Authority) or San Diego City Council (City Council) may request that this hearing not take place and instead be heard by the Housing Authority and City Council by giving notice to the Housing Commission's President & Chief Executive Officer, or designee, within seven days of the date of this notice.

Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing approving the Housing Authority's reissuance of tax-exempt Multifamily Housing Revenue Bonds of \$28,873,073.01 to Ulric Street Housing Associates, L.P. in order to not adversely affect the tax-exempt status of the bonds by reason of a Second Amendment to the Bond Loan Documents for Ulric Street Apartments, a 96-unit development at 2645-2685 Ulric Street in the Linda Vista Community Planning Area, which consists of 95 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of the San Diego Area Median Income (AMI) and one unrestricted manager's unit.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions and recommend that the San Diego City Council (City Council) take the following actions:

Housing Commission Board

- 1) Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing approving the Housing Authority's reissuance of tax-exempt Multifamily Housing Revenue Bonds of \$28,873,073.01 to Ulric Street Housing Associates L.P. in order to not adversely affect the tax-exempt status of the bonds by reason of a Second Amendment to the Bond Loan Documents for Ulric Street Apartments, a 96-unit development at 2645-2685 Ulric Street in the Linda Vista Community Planning Area, which consists of 95 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of the San Diego Area Median Income (AMI) and one unrestricted manager's unit.

City Council

- 1) Adopt a resolution approving the reissuance of a tax-exempt Multifamily Housing Revenue Bonds in an amount of \$28,873,073.01 in order to not adversely affect the tax-exempt status of the bonds by reason of a Second Amendment to the Bond Loan Documents for Ulric Street Apartments, a 96-unit development at 2645-2685 Ulric Street in the Linda Vista Community Planning Area, which consists of 95 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of the San Diego Area Median Income (AMI) and one unrestricted manager’s unit.

SUMMARY

Table 1 – Development Details

Address	2645-2685 Ulric Street, San Diego, 92111
Council District	7
Community Plan Area	Linda Vista Planning Committee
Developer	Community Housing Works (CHW)
Development Type	New construction
Construction Type	Type V (stucco with wood frame)
Parking Type	96 parking spaces (a mix of surface and podium spaces)
Housing Type	Multifamily
Mass Transit	The closest bus stop (Stop ID 13175) is 0.3 miles away at Genessee Ave & Osler Street.
Accessibility	Wheelchair accessibility in 10 percent of the units, an d4 percent of the units accessible to residents with visual and/or hearing impairments.
Lot Size	One parcel totaling 1.47 acres, 64,033 square feet
Units	95 affordable and 1 unrestricted manager’s unit
Density	65.31 dwelling units per acre (96 units/1.47 acres)
Unit Mix	95 affordable units: 12 studios, 21 one-bedrooms, 33 two-bedrooms, 29 three-bedrooms. One unrestricted manager one-bedroom unit
Gross Building Area	128,260 gross square feet
Net Rentable Area	75,509 square feet
Project Based Vouchers	10 Project-Based Veterans Affairs Supportive Housing (VASH) vouchers for veterans experiencing chronic homelessness.
Affordable Units in Service by Council District	Council District 7 includes 1,743 affordable rental housing units currently in service, which represents 6.9 percent of the 25,271 affordable rental housing units in service citywide.

Background

In response to the Housing Commission’s Fiscal Year (FY) 2018 Notice of Funding Availability (NOFA), Community Housing Works (CHW) submitted an application for a loan and federal rental housing vouchers for the Ulric development. On June 14, 2019, the Housing Commission Board of Commissioners approved a residual receipts loan of up to \$7,000,000 to Ulric Street Housing

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Associates, L.P. for Ulric Street Apartments (\$1,500,000 from federal HOME Investment Partnerships Program funds and \$5,500,000 from City of San Diego Affordable Housing Funds), which the Housing Commission administers (Report No. HCR 19-070).

On June 14, 2019, and on June 25, 2019, the Housing Commission (Report No. HCR19-070) and the Housing Authority of the City of San Diego (Report No. HAR19-029), respectively, approved taking certain preliminary authorization steps to issue up to \$32,750,000 of tax-exempt Multifamily Housing Revenue Bonds to finance the new construction of Ulric Street Apartments.

On April 14, 2020, the California Debt Limit Allocation Committee (CDLAC) approved a \$28,873,073.01 allocation of tax-exempt bond authority for the bonds. On May 20, 2020, the California Tax Credit Allocation Committee (CTCAC) approved a 4 percent tax credits allocation for the project.

On September 18, 2020, and on September 29, 2020, the Housing Commission (Report No. HCR20-089) and the Housing Authority (Report No. HAR20-033), respectively, approved taking final authorization steps to issue \$28,873,073.01 of tax-exempt Multifamily Housing Revenue Bonds and \$6,000,000 in taxable bonds to finance the new construction of Ulric Street Apartments.

Ulric Street Apartments has completed construction and received its Certificate of Occupancy on February 1, 2023. The project is currently leasing up its 95 units.

Requested Renewal of TEFRA Hearing

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing is a public inquiry that the Internal Revenue Service (IRS) requires for the issuance of tax-exempt debt. The TEFRA hearing provides the public with an opportunity to comment on the use of tax-exempt bond proceeds by the specific proposed issuer for the proposed project. On September 29, 2020, the San Diego City Council (City Council) held an IRS-required TEFRA public hearing for Ulric Street Apartments (Report No. CCR20-011) and approved a TEFRA Resolution (No. R- 313232).

Recently, the owner of the bonds, U.S. Bank National Association, and the project owners, Ulric Street Housing Associates, L.P., have advised the Housing Commission that they wish to amend the bond documents as a result of missing a deadline to complete the project by a certain date and uphold certain insurance requirements. The documents as they stand currently would require Ulric Street Housing Associates, L.P. to repay the bonds immediately. To avoid having to prepay a significant portion of the bonds, a TEFRA hearing and City Council approval is required so that a Second Amendment to the Bond's Loan Documents can be executed without resulting in the loss of tax-exempt status of the bonds.

The Housing Commission Board of Commissioners is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906).

AFFORDABLE HOUSING IMPACT

The Ulric Street Apartments development is subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit and bonds regulatory agreements, which will restrict affordability of 95 units for 55 years. The HOME program's funds will have affordability and rent restrictions for 20 years. The development's 95 units will be affordable to tenants with income levels

ranging from 30 percent of San Diego Area Median Income (AMI), \$27,350/year for a studio one person household, to 60 percent of AMI, \$78,060/year for a three-bedroom, four-person household.

Housing Commission staff has previously entered into an Agreement for Housing Assistance Payment contract for 10 Project-Based Veterans Affairs Supportive Housing (VASH) vouchers for the Ulric Street Apartments development. Under this VASH program, the tenants’ rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for residents in the development’s VASH units.

Table 2 – Ulric Street Apartments Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Maximum Gross Rents
Studio	30% (\$27,350/year for one-person household)	12	\$684
Subtotal Studio Units	--	12	--
One-bedroom	30% (\$31,250/year for two-person household)	21	\$781
Subtotal One-Bedroom Units	--	21	--
Two-bedrooms	30% (\$35,150/year for three-person household)	11	\$879
Two-bedrooms	40% (\$46,850/year for three-person household)	22	\$1,171
Subtotal Two-Bedrooms Units	--	33	--
Three-bedrooms	30% (\$39,050/year for four-person household)	10	\$976
Three-bedrooms	50% (\$65,050/year for four-person household)	8	\$1,626
Three-bedrooms	60% (\$78,060/year for four-person household)	11	\$1,952
Subtotal Three-Bedrooms Units	--	29	--
Manager’s unit (one-bedroom)	--	1	--
Total Units	--	95	--

FISCAL CONSIDERATIONS

As the bonds were initially issued in 2020 and fees were collected with the bond issuance, there is no anticipated budget impact with this TEFRA hearing.

The bonds do not constitute a debt of the City of San Diego. The bonds do not financially obligate the City, the Housing Authority, nor the Housing Commission because security for the repayment of the bonds is limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission’s, annual bond administration fee.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Housing

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Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

The development is in the Linda Vista neighborhood. On November 26, 2018, the Ulric Street Apartments development was presented to the Linda Vista Planning Group, and it received a 13-0 vote in favor.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Community Housing Works as the developer, the Housing Commission as a lender, the County of San Diego as a lender, the State Department of Housing and Community Development as a lender, the County of San Diego as a lender, the State Department of Housing and Community Development as a lender, the Linda Vista neighborhood, and the tenant occupants. As the project completed construction in February 2023, the development is anticipated to have a positive impact on the community as it will contribute to the quality of the surrounding neighborhood, contribute to a better quality of life for the development's tenants, and create 95 new affordable rental homes for individuals and families.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Community Housing Works is committed to equity and inclusion as both an employer and a service provider. The Housing Commission included a requirement in the NOFA for prospective applicants to include a narrative and specific examples of activities and initiatives that support equity assurance. Community Housing Works demonstrates a commitment to advancing racial equity and inclusion through project design and operational policies, throughout the project's timeline.

ENVIRONMENTAL REVIEW

On August 8, 2019, the City of San Diego conducted a review of this project and determined the project can be submitted ministerial and does not require a CEQA review because it is not a project per CEQA. Federal funds constitute a portion of the funding for the project. A final reservation of HOME funds occurred upon satisfactory completion of the environmental review and receipt by the City of San Diego of an Authorization to Release Grant Funds from the U.S. Department of Housing and Urban Development on January 26, 2019, under 24 CFR Part 58 of the National Environmental Policy Act (NEPA)."

Respectfully submitted,

Jennifer Kreutter

Jennifer Kreutter
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,

Jeff Davis

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

Attachments:

- 1) Site Map
- 2) Bond Program Summary

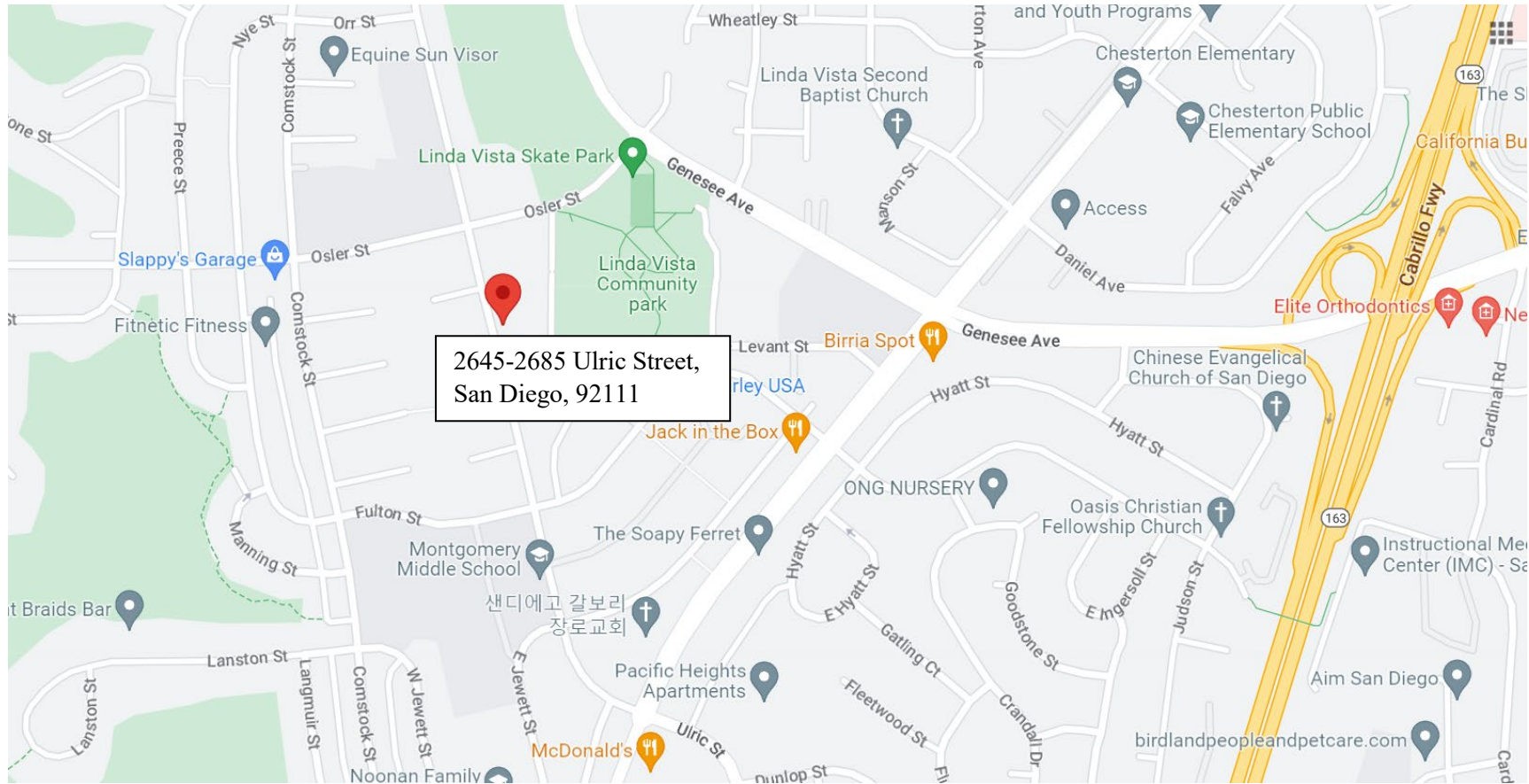
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Docket materials in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org

Attachment 1 – Site Map



ATTACHMENT 2 HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM SUMMARY

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as "private activity bonds" because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

Rating: Generally "AAA" or its equivalent with a minimum rating of "A" or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support ("credit enhancement") by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the San Diego Housing Commission (Housing Commission) adopts an "Inducement Resolution" to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, or the Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): to assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located. This process does not make the Housing Commission, the Housing Authority, or the City of San Diego financially or legally liable for the bonds or for the project.

[Note: Members of the Housing Commission or the San Diego City Council may be asked to take two actions at this stage in the bond process -- one in their capacity as approving the TEFRA hearing resolution and another as approving the bond inducement.]

- Application for Bond Allocation: The issuance of these "private activity bonds" (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Commission and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders, if rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds. Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to

issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.