

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 1 of 12

1. SUMMARY

- 1.1 Federal, state and local legislation authorize the issuance of mortgage revenue bonds by local governments to finance the development, acquisition and rehabilitation of multifamily rental projects. The interest on the bonds can be exempt from federal and state taxation, and provide below market rate financing for qualified project. In addition, the tax-exempt mortgage revenue bonds can qualify projects for allocations of federal low-income housing tax credits, which provide a significant portion of the funding necessary to develop affordable housing. The San Diego Housing Commission ("Housing Commission") has established a program (the "Program") to issue mortgage revenue bonds for qualified rental projects within the City of San Diego (the "City"). The Housing Commission's Program uses tax-exempt and taxable mortgage revenue bonds issued by the Housing Authority of the City of San Diego (the "Housing Authority") to subsidize the development of affordable housing within the City.
- 1.2 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 or the Housing Authority's faith, credit or taxing power and the bonds do not constitute general obligations of the issuer because the security for repayment of bonds is limited to project revenue and other sources specified under each financing. The bond issuances for affordable housing projects are often structured as real estate loans, and the obligation to repay the bonds is secured by a first deed of trust on the bond-financed property. The Program is completely self-supporting; developers must secure funding to pay for costs of issuance of the bonds and all other costs under each financing.
- 1.3 Bonds issued under the program should generally be privately placed with a financial institution or rated "AAA", or its equivalent, with a minimum rating being "A", or its equivalent, by the nationally recognized rating agencies listed in Section 4.1. The bonds may be used for both construction or rehabilitation and permanent financing. The effective mortgage rate is the aggregate of the applicable bond rate and the add-on fees charged under the program, such as lender, trustee, issuer's fee, etc. The bond rate, for fixed rate bonds, is determined at the time of a bond sale and the resulting mortgage rate is typically below conventional mortgage rates. The project loans generally have a 30-year amortization schedule although the bond maturity may be shorter.
- 1.4 The goals of the Program include: increase and preserve the supply of affordable rental housing; encourage economic integration within residential communities; maintain a quality living environment for residents of assisted projects and surrounding properties; and, in the event of provision of public funds towards the project, optimize the effectiveness of Housing Commission, or other public funding by maximizing the leveraging of private sector funds.
- 1.5 There is no limit on the maximum loan amount; however, the minimum loan amount is determined by the overall cost effectiveness of the financing, which includes payment for the costs of issuance, services of the financing team members, rating fees, etc. The bond issuance amount for individual projects is based upon project costs, interest rates, revenues available to pay debt service, and the appraised value of the project. The Housing Authority will consider multiple properties as part of a single bond financing on a case by case basis.

POLICYSubject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**Number: **PO300.301**Effective Date:
10/16/89

Page 2 of 12

- 1.6 Projects must consist of complete rental units, including kitchens and bathrooms. Bond proceeds may be used for costs of property acquisition (up to 25% of bond proceeds), construction, rehabilitation, improvements, architectural and engineering services, construction interest, loan fees and other capital costs of the project incurred after the date sixty days before the bond inducement date specified in Section 7.3. Bond proceeds cannot be used to acquire property from a party related to the buyer. No more than 2% of bond proceeds can be used to finance costs of issuance, such as the services of the financing team members, rating and printing of bonds, bond allocation, etc. Pursuant to federal requirements, if bonds are used for acquisition and rehabilitation, an amount equal to at least 15 percent of the portion of the acquisition cost of the building and related equipment financed with the proceeds of bonds must be used for rehabilitation of the project. The loans are assumable upon transfer of the project with the approval of the credit enhancement provider or bond purchaser, and the President and Chief Executive Officer of the San Diego Housing Commission (the "President and CEO") or his designee.
- 1.7 The Housing Commission receives compensation for its services in preparing bond issuances by charging an up-front administrative fee payable at the bond closing. In addition, the Housing Commission also receives ongoing, annual fees for compliance monitoring of regulatory restrictions and administrative oversight of outstanding bond issuances.
- A. The up-front administrative fee is equal to 25 basis points (0.25%) of the initial amount of bonds issued (or in the case of draw-down bonds [a bond structure with multiple draws over time] the initial maximum authorized amount of bonds), or as allowed by the Internal Revenue Service ("IRS").
- B. The annual ongoing administrative fee upon conversion to permanent financing is equal to 12.5 basis points (0.125%) of the amount of bonds outstanding immediately upon conversion to permanent financing or as allowed by the IRS. For projects fully paying down the bonds upon conversion to permanent financing, and for small projects, a minimum ongoing annual fee of \$10,000 shall be charged to recover administrative and monitoring costs.
- C. The annual ongoing administrative fee will remain fixed based on using the amount of bonds outstanding at permanent financing conversion regardless of any later reductions on the outstanding bonds.
- D. Additional monitoring fees may be charged for monitoring affordable housing units not governed by the Bond Regulatory Agreement or for projects with more than 50 units.
- E. At the time of the application, the developer must pay a \$3,000 non-refundable application fee to the Housing Commission.
- 1.8 Due to IRS limitations on bond issuances where the bond purchaser and the tax credit investor are the same entities, the Housing Authority shall not allow bond issuances where the tax credit investor is also the bond purchaser. Exceptions may be granted on a case-by-case basis, in the sole reasonable discretion of the Housing Authority's Executive Director.

2. TYPES OF BONDS

- 2.1 The Housing Authority may issue either tax-exempt or taxable bonds, or both. Taxable bonds would generally be issued only in combination with tax-exempt bonds. Taxable bonds do not require an allocation of bond authority from the California Debt Limit Allocation Committee ("CDLAC") but still require compliance with state law requirements governing the

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 3 of 12

Housing Authority's ability to issue bonds. 2.2 The interest on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bond issues must meet all applicable requirements of this Policy (including rating requirements), state law requirements and any additional regulations that may be promulgated, from time to time, by the Housing Commission.

- 2.3 Tax-Exempt Bonds (Non-Refunding) require an allocation of bond authority from CDLAC. To obtain the allocation, the Housing Authority must submit an application to CDLAC on behalf of the developer. Submittal of the application is at the discretion of the Housing Authority, not the developer. The developer must pay all required CDLAC fees when due.
- 2.4 The Housing Authority may issue 501(c) (3) bonds on behalf of qualified nonprofit organizations. 501(c) (3) bonds are tax-exempt and do not require an allocation from CDLAC, but cannot be used with the Low Income Housing Tax Credit Program.
- 2.5 The Housing Authority will allow refunding of bond issues that meet the following conditions:
- A. The project sponsor agrees to cover all costs of the issuer, including costs for the issuer's financial advisor, bond counsel, and trustee (if applicable).
 - B. Projects originally financed by tax-exempt bonds prior to the 1986 Tax Act will have to make a minimum ten percent of the units affordable to persons earning 50 percent of median area income with the rents affordable at the same level.
 - C. The affordability restrictions of the existing bond regulatory agreement are subject to extension. The Housing Commission reserves the right to impose additional requirements on a case by case basis. All specifics of refunding proposals must be approved by the Housing Authority.
 - D. Default refunding applications require a default refunding analysis (to determine the eligibility for a default refunding). The Housing Commission shall choose the firm to conduct the analysis. The project applicant will deposit the cost for the study with the Housing Commission before the study begins.

3. AFFORDABILITY REQUIREMENTS

- 3.1 Term of Rental and Affordability Restrictions—The project must remain as rental housing and continuously meet the affordability requirements as provided in Sections 3.2, 3.3 and 3.4 for the longer of (a) 15 years as measured from the date that ten percent (10%) of the affordable Units are occupied (or date of refunding, as applicable), (b) as long as the bonds remain outstanding, (c) such period as may be required in the opinion of Bond Counsel to satisfy applicable federal or State law, or (d) such period as may be required by CDLAC (typically 55 years). The rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restriction, so long as those tenants continue to live in the development. The Housing Authority reserves the right to impose additional affordability restrictions.

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 4 of 12

A Regulatory Agreement containing the rental and affordability restrictions will be recorded against the property and must be complied with by subsequent owners. The Regulatory Agreement will be terminated upon expiration of restrictions or in the event of casualty loss or foreclosure, and the subsequent retirement of bonds as a result of foreclosure.

State law requires advance notice and other requirements upon termination of affordability requirements, some of which also place restrictions on the sale of previously affordable housing projects.

3.2 Income Restrictions—To be eligible for tax-exempt bond financing, federal law requires that the project meet one of the following conditions:

- A. A minimum of 20% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size; or
- B. A minimum of 40% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 60% of area median income, as adjusted by family size.

State law requires that a minimum of 10% of the units in the project be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size, at specified rent levels.

Project owners must certify their tenant's eligibility annually. If a tenant is no longer eligible, the next available unit in the project must be rented to a new eligible tenant and the current tenant's rent can be raised to a market level. A unit occupied only by full time students does not count towards the set-aside requirement.

Affordability definitions are based on the area median income for the County of San Diego as established by the US Department of Housing and Urban Development. The median income is subject to change annually. Household size is determined by adding one person to the bedroom size of the unit.

3.3 Rent Restrictions—The maximum rent for the affordable set-aside units shall not exceed 30% of one-twelfth of 50% of area median income, or 30% of one-twelfth of 60% of area median income (as the case may be, depending on the selected set-aside). The maximum rent amounts are further reduced by a utility allowance for tenant-paid utilities in the amounts determined by the Housing Commission's President and CEO. In the event tax-exempt bonds are used with Low Income Housing Tax Credits, or any other public funds, the most restrictive rents of the applicable programs shall apply. The affordability of restricted units in relation to the project's market rents will be considered as part of the Housing Commission's approval of the financing. The maximum rent amounts will also apply if the set-aside units are occupied by Section 8 tenants (tenant based vouchers).

3.4 Unit Distribution—The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities, and access to project facilities as market-rate units. The objective of the program is to provide a

POLICYSubject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**Number: **PO300.301**Effective Date:
10/16/89

Page 5 of 12

set-aside of units with lower rents, not to create special "low-income sections" within larger developments.

- 3.5 Additional Affordability Restrictions under Restructuring of Existing Bond Issues—Additional public benefit in the form of deeper income targeting; additional rent restrictions; extension of the term of restrictions; additional number of restricted units; or any combination thereof, will be negotiated in connection with refundings or debt restructurings of existing bond issues. The level of additional restrictions will be determined in the context of the overall financial feasibility of each financing. Should the bond restructuring result in an extension of the maturity of the bonds, a minimum of 10% of the units in the project will be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size, with rents set at the corresponding affordability level, for the term of the restructured bond.

4. CREDIT CONSIDERATIONS

- 4.1 Required Rating on the Bonds—Any bonds issued under the program that are sold to the public should generally be rated "A", or its equivalent, or better from the following nationally recognized rating agencies: Moody's Investors Service, Standard & Poors Corporation, or Fitch Ratings. The same rating requirement applies in the case of a substitution of existing credit facility for bonds that are outstanding.
- 4.2 Credit Enhancement—A preferred way of obtaining the required rating on the bonds in accordance with Section 4.1 is through the provision of additional, outside credit support for the bond issue provided by rated, financially strong private institutions, such as government sponsored entities (including the Federal National Mortgage Association [Fannie Mae] or the Federal Home Loan Mortgage Corporation [Freddie Mac]), other government insured mortgage programs, or other qualified credit enhancement providers as long as the minimum bond rating is obtained. The rating on such bonds is determined based on the credit worthiness of the participating credit enhancement provider. The applicant is required to identify and obtain credit enhancement for each bond issuance. As the primary source of security for the repayment of bonds, the credit enhancement provider reviews and approves the borrower (credit, financial capability, experience, etc.) and the project and its feasibility, including the size of the loan and the terms of repayment, using their own underwriting criteria.
- 4.3 Rated Bonds Without Credit Enhancement—Fixed rate bonds, or their portion, can be issued without credit enhancement if the proposed financing structure results in the required minimum rating on the bonds by a rating agency as provided in Section 4.1. Bonds issued without credit enhancement will only be sold to qualified institutional investors ("QIIs") in minimum \$100,000 denominations.
- 4.4 Privately Placed Bonds—The rating requirement specified in Section 4.1 is waived under the following conditions:
- A. The bonds are privately placed with "qualified institutional buyers" as defined under Rule 144A of the Securities Act of 1933, or institutional "accredited investors," as generally defined under Regulation D of the Securities Act of 1933.

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 6 of 12

- B. The bonds must be sold in minimum \$100,000 denominations.
- C. All initial and subsequent purchasers must be willing to sign a sophisticated investor letter (Investor Letter) in a form approved by the Housing Commission. While the bonds remain unrated, their transferability will be restricted to qualified institutional buyers or accredited investors who sign an Investor Letter.
- D. Unless otherwise approved by the Housing Commission Board, the bonds may not be held at any time by more than 15 or fewer investors.
- E. Upon terms acceptable to the Housing Commission, bonds may be placed in a trust or custodial arrangement with participations sold to investors.
- F. The Housing Authority issuer reserves the right to require a trustee or fiscal agent participate in privately placed bond or loan transactions.

The purpose of these conditions is to assure that the bonds are placed with investors who are experienced in municipal securities investing and analysis or real estate credit underwriting. Bond funds and affordable lending banks are the types of entities this condition anticipates.

- 4.5 Bonds with Hedges/SWAPs. The Developer shall disclose to the Issuer at the time of application of its intention to purchase an interest rate cap, hedge or swap, and such instrument shall be placed in an arm's length transaction. Under no circumstances shall the Housing Commission or Housing Authority be a party to such swaps or hedges

5. OTHER ISSUERS

- 5.1 The Housing Authority, in very limited situations, will allow issuers other than the Housing Authority to issue bonds for multifamily housing projects located within the City of San Diego. Any applicant considering the use of any issuers other than the Housing Authority should contact Housing Commission staff prior to proceeding with the project. The required City approvals of bond issuances by issuers other than the Housing Authority will be recommended only if the financing proposal is part of a pooled issuance involving projects located in multiple jurisdictions and the overall cost effectiveness of the financing proposal is increased. All Housing Authority affordability requirements, procedures and requirements will apply to projects using "outside issuers," including an issuance fee of 0.25 percent of the bond issuance amount to be paid to the Authority upon issuance of the bonds as described in Section 1.7 herein. A TEFRA hearing and approval by the City Council of the City ("City Council"), as described in Section 7.4, on behalf of another issuer will include a provision that the owner, operator or manager of the project considered for financing by tax-exempt debt will not change without the prior approval of the Housing Commission's President and CEO.

6. SELECTION OF THE FINANCING TEAM

- 6.1 Through separate Requests for Qualifications ("RFQ"), a pool of bond counsels, and a pool of financial advisors, will be established to serve as financing team participants on individual bond transactions. The RFQ process is a fair and competitive process which includes advertising, a competitive selection process and interviewing, if necessary. Firms will be selected in accordance with the Housing Commission's applicable equal opportunity policies.

POLICYSubject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**Number: **PO300.301**Effective Date:
10/16/89

Page 7 of 12

- 6.2 The establishment of each pool will be made by a selection committee with the approval of the Housing Commission Board. The selection committee will consist of Housing Commission staff and representatives from other City departments, such as the City Attorney's Office, City Auditor, and Debt Management. Generally, the selection will be made for a one -year period. The term may be extended for four additional one-year periods by the President and CEO.
- 6.3 The bond counsel and financial advisor specifically represent the interests and concerns of the Housing Commission, the Housing Authority and the City in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.
- 6.4 The Financial Advisor for each transaction will be designated by the President and CEO from the selected pool for approval by the Housing Commission Board on a rotating basis. The Financial Advisor will prepare a feasibility study on whether it is economically advisable to proceed with the financing, including: evaluation of the financial strength of the project; assumptions regarding income and expenses; sources of security for bonds in addition to the project; developer's financial situation and experience in operating and managing rental projects; marketability of the bonds; rights and resources of parties to the transaction in the event of default; and provide financial advice on all relevant issues to best protect the interests of the City and the Housing Authority. The compensation for financial advisory services to determine whether it is advisable to proceed with a financing will not be contingent on the sale of the bonds.
- 6.5 Bond Counsel will be designated for each financing by the President and CEO from the selected pool on a rotating basis subject to approval by the Housing Commission Board. Bond Counsel will prepare the necessary legal documentation, including provisions regarding compliance with any applicable continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the Housing Commission, the City and the Housing Authority, including but not limited to the project monitoring requirements for federal tax and CDLAC purposes.
- 6.6 Bond Underwriter/Remarketing Agent/Private Placement Purchaser—The developer shall select the construction and permanent lender/bond purchaser and method of selling the bonds for a given transaction subject to the requirements set forth herein and the approval of the Housing Commission. However, as referenced in Section 1.8 (herein) the Housing Authority shall not allow a bond transaction where the tax credit investor is also the bond purchaser. The practice of allowing the developer to propose the lender and bond structure is intended to create an incentive for qualified financial firms to actively work with developers to structure and present feasible financing proposals that meet program requirements.
- 6.7 In the event the developer has not identified a proposed financing structure for a given transaction, the Housing Commission will select an underwriter, lender, or private placement purchaser through a request for proposals process.

POLICYSubject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**Number: **PO300.301**Effective Date:
10/16/89

Page 8 of 12

6.8 The Bond Trustee (a bank designated by the Housing Authority as the custodian of funds and official representative of bondholders), if required by the bond structure for the financing, will be approved by the President and CEO based upon a Request for Proposals process.

7. THE FINANCING PROCESS

- 7.1 Application—A developer interested in new-money financing must submit an application for bond financing or, in the case of an existing financing, a request for bond refunding or restructuring to the Housing Commission. Part of the required information is a disclosure statement, on each of the parties involved in the developer/ownership entity. Housing Commission staff will review the application for feasibility.
- 7.2 Deposit—At the time of the application, the developer must pay a \$10,000 application deposit to cover the preliminary costs of the proposed bond issuance, reissuance or restructuring. If the financing goes ahead, the deposit will be subject to reimbursement at the bond closing. If the bond issue does not proceed to closing, then the \$10,000 application deposit will be retained for payment toward the preliminary costs incurred by the Housing Commission and its consultants'. The \$10,000 application deposit may be waived by the President and CEO.
- 7.3 Inducement Resolution—In conjunction with the City Attorney's Office and Bond Counsel, a bond inducement resolution will be drafted and approved by the Housing Authority. All new-money projects must be induced. An inducement resolution is a conditional expression of the Housing Authority's "official intent" to issue bonds for a given project and is required under Treasury Regulation Section 1.150-2(e) 1.150-2(e). Approval of the inducement resolution establishes, through the public record, the date from which project costs incurred may be determined to be eligible for financing under the program. Therefore, applicants are encouraged to induce their projects as soon as practicable to clearly identify the project, its location, maximum number of units, the maximum amount of financing, and the proposed ownership entity.
- A. Application to CDLAC—The inducement resolution also authorizes Housing Commission staff to submit an application to CDLAC, on behalf of the developer/project sponsor, for a private activity bond allocation.
- B. No Binding Financial Commitment—Adoption of the inducement resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing. The approval of the inducement resolution, by itself, does not authorize any subordinate financing by the Housing Authority or any other entity of the City. The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a resolution authorizing such issuance.
- C. No Land Use or Building Code Approval—Approval of the inducement resolution shall not be construed to signify that the project complies with the planning, zoning, subdivision and building laws and ordinances of the City or suggest that the Housing Authority, the City, or any officer or agent of the Housing Authority or the City will grant any such approval, consent or permit that may be required in connection with the development of a given project.

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 9 of 12

- 7.4 TEFRA Hearing and Approval—In order for interest on the bonds to be tax-exempt and in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, Section 147(f) of the Internal Revenue Code of 1986, the issuance of bonds must be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located, after a public hearing for which a reasonable public notice adequately describing the proposed location of the project, the number of units, and proposed bond issuance amount was given. As the legislative body for the City of San Diego, federal regulations require that the issuance of bonds by the Housing Authority be approved by the City Council. The purpose of the public hearing is to provide an opportunity for interested persons to provide their views on the proposed bond issuance and on the nature and location of the project. The TEFRA hearing will be conducted by City Council at the date and time specified in the TEFRA notice. The TEFRA notice shall be published in a newspaper of general circulation within the City at least 14 days in advance of the TEFRA hearing.
- 7.5 Bond Allocation—Prior to the issuance of private activity, tax exempt bonds, the Housing Authority must apply for, and receive an allocation of bond issuing authority from CDLAC. To receive such an allocation, the Housing Authority and the developer must document their readiness to proceed with the bond financing.
- 7.6 Performance Deposit—At the time of the application to CDLAC, the developer must deposit with the Housing Authority one half of one percent of the requested allocation amount (or as required by CDLAC) as a performance deposit. The deposit will be returned to the developer according to the CDLAC procedures; the deposit is subject to reversion to the CDLAC if the financing does not close according to the CDLAC procedures.
- 7.7 Local Review—All projects must be in compliance with the City's zoning requirements and adopted community plans. Prior to requesting the Housing Authority approval of a new-money bond issuance, the project must undergo all planning procedures and land use approvals, including discretionary review, community planning group review, and environmental analysis, as required. All projects must be reviewed by the applicable community planning group(s) prior to final bond authorization by the Housing Authority.
- 7.8 Coordination with City Finance Representatives—Housing Commission staff will work with the City Attorney's Office, the Debt Management Department, and other City departments, as necessary, in preparing bond issuances for affordable housing projects.
- A. Compliance with City's Disclosure Ordinance—As a related entity of the City, the Housing Commission will adhere to the City disclosure ordinance (O-19320) as it may be amended from time to time. The Housing Commission will present offering statements and disclosure documents for review and approval, as appropriate, by the City's Disclosure Practices Working Group.
- 7.9 Housing Commission/Housing Authority Final Approval—Housing Commission staff recommendations to proceed with a proposed bond issuance, reissuance, or bond restructuring will be presented for approval by the Housing Commission. If approved, staff will work with the approved financing team to structure the financing and to prepare the necessary bond documents. The resulting bond documents, authorizing resolution, staff report, and other relevant docket materials will be submitted for final approval by the Housing Authority.

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 10 of 12

8. TENANT RELOCATION

8.1 As required by CDLAC regulations (Section 5211 "Tenant Relocation") if low-income tenants will receive a rent increase exceeding five percent (5%) of their current rent, then a relocation plan is required to address economic displacement. Where applicable, the applicant shall provide evidence that the relocation plan is consistent with the Uniform Relocation Assistance and Real Property Acquisition Policy Act (42 U.S.C. 61).

9. PROHIBITION OF CERTAIN "SUBSTANTIAL USERS"

9.1 The Housing Commission and Housing Authority, each in its sole and absolute discretion, reserves the right to reject and not issue bonds for proposed projects where, in the proposed financial structure, the proposed bond purchaser is the same entity or a related entity as the project owner (including, but not limited to, tax credit investor limited partners) or involves any other arrangement which may limit the Housing Commission or Housing Authority's ability to charge administrative fees in the amounts detailed in Section 1.7 herein.

10. POST ISSUANCE COMPLIANCE

10.1 At completion of the new construction or rehabilitation work, the developer shall provide to the Housing Commission staff a certification from the project's architect that the project includes all design elements that formed the basis for CDLAC's award of bond allocation points (including but not limited to sustainable building methods and/or energy efficiency elements). Additionally, at or before completion of the new construction or rehabilitation of the project, and in any event prior to conversion of bonds to permanent financing, the developer shall provide the Housing Commission with the final actual sources and uses of funds and shall confirm to the Housing Commission staff that such sources and expenditures comply with all state and federal law requirements, including the requirements set forth in the tax certificate with respect to the bonds.

10.2 Annual Certification of Public Benefits and On-going Compliance

As required by CDLAC regulations, all projects that receive a CDLAC bond allocation and are within an existing regulatory period and/or compliance period, shall be monitored by the Housing Commission staff for compliance with the terms and conditions of the CDLAC allocation resolution. The Housing Commission may choose to hire an outside compliance monitoring firm to assist with such requirements.

- A. Annually, on or before January 1 of each year until the expiration of the qualified project period under the CDLAC Resolution and Bond Regulatory Agreement, the developer shall provide a written certification of compliance, to the Housing Commission, to confirm that the completed project meets the terms and conditions stated in the CDLAC Resolution.
- B. The Housing Commission shall review the developer's certification of compliance and may request evidence of compliance including supporting documentation as necessary in the sole reasonable discretion of the Housing Commission.
- C. Annually, no later than March 1 of each year until the expiration of the qualified project period under the CDLAC Resolution and Bond Regulatory Agreement (or such other date as required by CDLAC), the Housing Commission shall complete and submit to CDLAC the "Annual Applicant

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 11 of 12

Public Benefits and On-going Compliance Self Certification" in such format as required by CDLAC, that the completed project meets the terms and conditions stated in the CDLAC Resolution.

D. For projects which are not meeting the terms and conditions stated in the CDLAC Resolution, the Housing Commission will work with CDLAC staff and Housing Commission legal counsel, for remedial action, as necessary, including an action for specific performance or other available remedy. The Housing Commission may disqualify a bond application from any developer or member of the development partnership who is not in compliance with CDLAC's Post Issuance Compliance requirements, as determined by the Housing Commission and/or by CDLAC.

- 10.3 Transfer of Ownership. The Housing Commission reserves the right to approve any voluntary change in ownership (i) that results in a transfer of 50% or more of the total equity interests in a developer or (ii) that results in a transfer of any general partner or managing member interest in the developer. Such approval to transfer ownership shall be at the discretion of the Housing Commission subject to any additional requirements set forth in the tax certificate or Bond Regulatory Agreement. The Housing Commission shall review management practices of the proposed transferee's current and previously owned properties. Any proposed transferee (including individuals within an ownership) whose currently owned properties have been found by the Housing Commission to have deficiencies that have not been resolved within the time frame prescribed by the City, Housing Authority or Housing Commission or other local government authority, may not assume ownership of any bond financed project. The Housing Commission may initiate additional inspections to verify findings.
- 10.4 Carryforward Election. With respect to each bond allocation in a given calendar year for which less than all of the allocation of private activity volume cap was used, the Housing Commission staff shall contact CDLAC requesting confirmation of the amount, if any, of carryforward election the Housing Authority shall make under section 146(f) of the Internal Revenue Code.
- 10.5 Arbitrage Rebate Compliance. The developer shall comply with all applicable federal tax laws set forth in the tax certificate and bond documents, including arbitrage rebate compliance. The developer shall provide the Housing Commission with documentation that verifies the developer's compliance with federal tax laws set forth in the tax certificate and bond documents, including rebate compliance reports.
- 10.6 Other Required Disclosures. The developer/owner shall be solely responsible for any and all continuing disclosures under the Municipal Securities Rulemaking Board (MSRB) rules, requirements and regulations (including but not limited to fixed rate bond issuances with Fannie Mae and/or Freddie Mac involvement).

[Supersedes PO300.301, effective July 30, 2013]

San Diego Housing Commission
POLICY

Subject: **MULTIFAMILY MORTGAGE REVENUE BOND PROGRAM**

Number: **PO300.301**

Effective Date:
10/16/89

Page 12 of 12

Authorized:



Deborah N. Ruane,
Senior Vice President
Real Estate Division



Ann E. Kern
Senior Director Real Estate Finance & Program
Development Unit
Real Estate Division

7/30/2013

Date

7-30-2013

Date

History:

Adopted: 10/16/1989
Revised: 6/23/1992
Revised: 6/28/1994
Revised: 5/28/1996
Revised: 6/04/1999
Revised: 9/23/2008
Revised: 07/30/2013