



# INFORMATIONAL REPORT

**DATE ISSUED:** February 3, 2006

**REPORT NO:** HCR06-14

**SUBJECT:** Multifamily Bond Program - Annual Status Report for Year Ending December 31, 2005

## **NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION**

### **SUMMARY**

This report summarizes activity under the San Diego Housing Commission's Multifamily Bond Program for the year ending December 31, 2005. During this period, the Housing Commission administered \$451,251,440 in multifamily tax-exempt financing for 35 projects with 7,505 units. Of that total, 4,236 units were restricted at various levels of affordability. During calendar year 2005, a total of \$39,400,000 in bonds was issued to provide financing for three projects.

### **BACKGROUND**

Based on tax exemption of the interest income on municipal bonds, the Multifamily Bond Program offers below market financing to developers of multifamily rental projects that set aside a portion of the units in their projects as affordable housing. Activities eligible for financing include new construction, acquisition, and rehabilitation of projects located in the City of San Diego.

The bonds do not constitute a debt or liability of the City, the Housing Authority, or the Housing Commission. The security for bond repayment is limited to specific private revenue sources, such as project revenues, guarantees by the credit provider, or the value of the projects themselves. The program is self-supporting and the developers are responsible for paying the costs associated with each financing.

The following is a description of the actions that must be taken by the Housing Commission, Housing Authority, and the City Council to initiate proposed financings.



## 1. Bond Inducement

The adoption of an Official Intent ("inducement") resolution is an initial step required by the Internal Revenue Service to initiate a possible new-money bond issuance. It does not represent any commitment by the Housing Commission, Housing Authority or the applicant to proceed with the financing. Rather, it establishes, through public record, the date from which project costs incurred may be determined to be reimbursable from bond proceeds. Generally, the bond inducement amount is higher than the estimated bond amount to reflect a 10-15 percent contingency. The adoption also authorizes staff to work with the selected financing team to perform a due diligence process to determine the feasibility of the financing, the level of affordability of the set-aside units, and to structure a proposal for the issuance of bonds.

## 2. TEFRA Hearing and Approval

In order for interest on the bonds to be tax-exempt and in compliance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and 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 will be located. A public hearing, for which a reasonable public notice was given, is required prior to the approval. Therefore, federal regulations require that the issuance of bonds by the Housing Authority be approved by the City Council, as the elected legislative body of the City. A notice of a public hearing to be held by the City Council with respect to the proposed issuance of bonds is published in *The Daily Transcript* at least fourteen days prior to the scheduled meeting. The purpose of such 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.

## 3. Bond Allocation

The issuance of bonds for projects owned by private developers (i.e., projects owned by private developers or by nonprofit sponsors with for-profit investor participation - "private activity bonds") requires an allocation of a bonding authority from the State of California. In order to apply for the bond allocation, an application approved by the Housing Authority 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, a TEFRA resolution must be secured no later than 30 days after application submittal.

## 4. Final Bond Approval

The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Initially, the information about the proposed tax-exempt financing of the project is preliminary. If the inducement and TEFRA resolutions are approved, a due diligence process conducted by staff and financing team members will generate additional information and analysis. Prior to final consideration of the proposed bond

issuance by the Housing Authority, the project will have to comply with all the program's financing and affordability requirements, and undergo all required planning procedures/reviews by local planning groups, etc.

### **PROGRAM ADMINISTRATION**

The Housing Commission's origination fee, as well as the annual administrative fee, for each financing under the Multifamily Bond Program is 0.23 percent of the bond amount. The fees presently generate over one million dollars annually to support the Housing Commission's affordable housing activities in the City.

In addition to its role in issuing bonds, staff also administers a portfolio of thirty-five bond issuances totaling over \$450 million. Administration of the bond portfolio involves performance of all contractual obligations and administrative functions on behalf of the bond issuer, as required by the respective bond documents. This includes compliance with tax laws to ensure that interest on outstanding bonds is tax exempt, maintenance of a project's bond rating through extensions or substitutions of credit facilities, periodic selection of the financial consultants, maintenance of bondholder goodwill, and filing of required reports.

There are two major types of projects that the Multifamily Bond Program finances: New-Money Issuances and Bond Refundings and Restructurings.

### **NEW-MONEY ISSUANCES**

To be eligible for tax-exempt multifamily bond financing, federal law currently requires that projects meet one of the following two conditions: 1) a minimum of 20 percent of the units must be set aside for occupancy by households whose incomes do not exceed 50 percent of the area median income (AMI) (currently \$34,500 for a family of four), as adjusted for family size; or 2) a minimum of 40 percent of the units must be set aside for occupancy by households whose incomes do not exceed 60 percent AMI (currently \$41,400 for a family of four), as adjusted for family size (Attachment 2). However, state law requires that a minimum of 10 percent of the units be set aside for occupancy by households whose incomes do not exceed 50 percent AMI, as adjusted for family size. As a result, projects financed with tax-exempt bonds must set aside at least 20 percent of the units at 50 percent AMI or 10 percent of the units at 50 percent AMI and 30 percent of the units at 60 percent AMI.

The maximum rent for the set-aside units may not exceed 30 percent of the monthly income, at the targeted income levels stated above, as adjusted for household and unit size. The maximum rent amounts are further reduced by a utility allowance for tenant-paid utilities in the amounts determined periodically by the President and Chief Executive Officer.

The following are examples of how rents are determined, depending on the type of set-aside selected, for a family of four occupying a three-bedroom unit:

During calendar year 2005, the program issued \$39,400,000 in tax-exempt bonds for three projects to create a total of 431 units, 428 of which will be affordable to low and very low-income households under the restrictions of the Multifamily Bond Program. A description of each project is provided below. All the restricted units in these two projects will remain affordable for a minimum of 55 years.

Fairbanks Ridge Apartments (204 total / 203 restricted units)

In July of 2005, the Housing Authority issued \$30,000,000 in tax-exempt bonds to finance the acquisition and construction of the 204-unit Fairbanks Ridge Apartments. The property is located at intersection of Babcock Street and Paseo del Sur in community of Black Mountain Ranch in Council District 1. One-third of the units will be restricted from between 25 to 35% AMI with the remaining units restricted at 60% AMI. In addition to bonds, the project was financed with tax credit equity, a low-interest loan from the state of California's Multifamily Housing Program, and a contribution from the master developer.

Delta Village Apartments (108 / 107 restricted units)

In July of 2005, the Housing Authority issued \$9,000,000 in tax-exempt bonds to finance the acquisition and rehabilitation of the Delta Village Apartments. The project is located at 4368 Delta Street in Council District 4. The project will restrict 10% of the units at 50% AMI and 90% of the units at 60% AMI. Financing for the project also included tax credit equity and a residual receipts loan from the Housing Commission.

Rancho del Norte Apartments Supplemental Bonds (119 total / 118 restricted units)

The Housing Authority originally issued \$9,825,000 in tax-exempt bonds in December of 2003 for the construction of the 119-unit Rancho del Norte Apartments project in 2003. In order to fund construction cost increases, the Housing Authority issued an addition \$400,000 in bonds in October of 2005. Rancho del Norte is located at 16775 Saintsbury Glen in the community of Black Mountain Ranch in Council District 1. One-third of the units will be affordable from between 20% to 30% AMI with the remaining units restricted at 60% AMI. In addition to bonds, the project was financed with tax credit equity, a low-interest loan from the state of California's Multifamily Housing Program, a contribution from the master developer, and a residual receipts loan from the Housing Commission. As a condition of the Housing Commission loan, the term of affordability will be extended from 55 to 65 years. During these ten years, 82 of the units will be affordable at 60% AMI and the remaining 37 units will be affordable at 50% AMI.

Targeted Income Level	Annual Income	/12	Monthly Income	X 30%	Gross Monthly Rent	-	Utility Allowance	=	Net Monthly Rent
50% AMI	\$34,500		\$2,875		\$863		\$50		\$813
60% AMI	\$41,400		\$3,450		\$1,035		\$50		\$985

## **BOND REFUNDINGS AND RESTRUCTURINGS**

Bond documents governing individual project financings allow participating developers and credit providers to request reissuance or restructuring of the existing bonds in order to adjust original terms of the financing in response to the project's new needs or circumstances. Approval to refund or restructure is at the discretion of the original issuer. Federal rules relating to refundings are much more liberal than those for new-money issuances; projects originally financed prior to 1986 are not subject to the same rent and income restrictions that apply to new-money issuances. The Housing Commission did not refund or restructure any outstanding bond issuances during 2005.

## **CONCLUSION**

During calendar year 2005, the Housing Commission's Multifamily Bond Program participated in three bond financings totaling \$39,400,000. The bonds financed the acquisition, rehabilitation, and/or construction of 431 units, 428 of which will be affordable to low and very low-income households.

Respectfully submitted,

Approved by,

Cissy Fisher  
Director of Housing Finance & Development

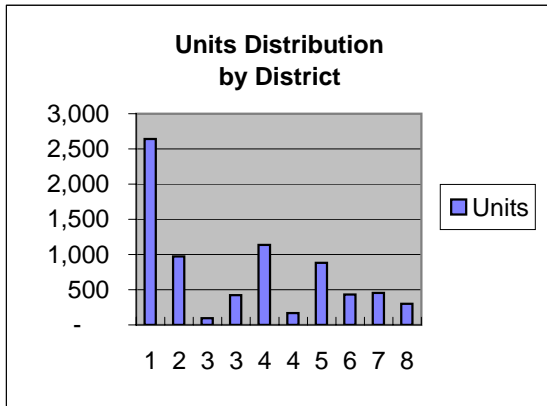
**Signature on File  
With Original Document**

Elizabeth C. Morris  
President & Chief Executive Officer

Attachment(s):

1. Summary of Bond Financed Projects  
(Calendar Year Ending December 31, 2005)
2. San Diego Housing Commission Income and Rent Calculations

**MULTIFAMILY BOND PROGRAM**  
**Summary of Bond Financed Projects**  
**(As of December 31, 2004)**



District	Units	%
1	2,643	35%
2	973	13%
3	94	1%
3,5,7	421	6%
4	1,137	15%
4,7	166	2%
5	884	12%
6	432	6%
7	455	6%
8	300	4%
<b>Total</b>	<b>7,505</b>	<b>100%</b>

	Project	Address	District	Principal Amount	Total Units	Restricted Units
1	Canyon Rim Apts	10931 Gerana Street	1	\$ 32,440,000	504	352
2	La Jolla Point Apts	7396 Avenida Navidad	1	\$ 20,900,000	328	66
3	Las Flores Apts	7039 Charmant Drive	1	\$ 27,235,000	312	63
4	Lucera Apts	7110 Shoreline Drive	1	\$ 16,000,000	256	52
5	Mirada Apts	7568 Charmant Drive	1	\$ 39,601,440	444	89
6	Paseo Point Apts	10024 Paseo Montril	1	\$ 14,250,000	250	50
7	Rancho del Norte	16775 Saintsbury Glen	1	\$ 10,225,000	119	118
8	Torrey Highlands Apts	13370 Torrey Meadows Drive	1	\$ 4,780,000	76	75
9	Villa Andalucia Apts.	6587-6595 Rancho Del Sol Way	1	\$ 2,231,000	32	31
10	Villa Glen Apts.	6984-6996 Torrey Santa Fe Rd.	1	\$ 2,048,000	26	25
11	Windwood Village Apts	12730-12770 Briarcrest Place	1	\$ 6,768,000	92	91
12	Fairbanks Ridge	Paseo del Sur and Babcock St	1	\$ 30,000,000	204	203
13	Mariner's Cove Apts	4392 W.Point Loma Blvd	2	\$ 11,720,000	500	100
14	Market Street Square Apts	606 Third Avenue	2	\$ 8,015,000	192	40
15	Island Village Apartments	1245 Market Street	2	\$ 11,000,000	281	280
16	Hollywood Palms	4366 Home Avenue	3	\$ 7,805,000	94	94
17	Creekside Village Apts	4685 Nogal Street	4	\$ 6,000,000	144	43
18	Harbor View Villas Apts.	404 North 47th Street	4	\$ 3,590,000	60	59
19	John Adams Manor Apts.	5471 Bayview Heights Place	4	\$ 9,180,000	300	300
20	Logan Square Apts.	4742 Solola Avenue	4	\$ 10,215,000	170	169
21	Mountain View Estates Apts	4066 Messina Drive	4	\$ 4,377,500	145	97
22	Parkside Apts.	4010-4050 Park Haven Court	4	\$ 1,800,000	40	39
23	Regency Centre Apts	4765 Home Avenue	4	\$ 4,100,000	100	99
24	Summit Crest Apartments	4328-4490 Mayberry Street	4	\$ 3,400,000	70	28
25	Delta Village Apartments	4368 Delta Street	4	\$ 9,000,000	108	107
26	Lusk Mira Mesa Apts	11102 Caminito Alvarez	5	\$ 33,800,000	752	153
27	Maya Apartments	10101 Maya Linda Road	5	\$ 4,490,500	132	41
28	Stratton Apts	5765 Mount Alifan Drive	6	\$ 19,825,000	312	218
29	University Canyon Apts	2098 Via Las Cumbres	6	\$ 3,105,000	120	119
30	Casa Colina del Sol Apts	5207 52nd Place	7	\$ 3,500,000	75	74
31	Hillside Gardens Apts	5802 University Avenue	7	\$ 37,510,000	380	76
32	Beyer Courtyard Apts	920 Beyer Boulevard	8	\$ 7,400,000	60	59
33	Vista La Rosa Apts	2002 Rimbey Avenue	8	\$ 12,860,000	240	240
34	Bridgeport Properties	Scattered sites	3,5,7	\$ 22,500,000	421	421
35	North Park Properties	4238 54th Pl. & 4501 Logan Ave	4,7	\$ 9,580,000	166	165
<b>Total:</b>				<b>\$451,251,440</b>	<b>7,505</b>	<b>4,236</b>

**SAN DIEGO HOUSING COMMISSION INCOME AND RENT CALCULATIONS**

**U.S. Department of Housing and Urban Development 2005 SAN DIEGO MEDIAN INCOME:**

**\$63,400**

Note: The table contains income limits for extremely low, very low and low income, as adjusted for family size and other factors adopted and amended from time to time by the U.S. Department of Housing and Urban Development (HUD). In 2005, HUD adjusted San Diego Very Low Income limits for a "high housing cost area" factor.

Family Size	Unit Size	30% AMI (Adjusted by HUD)			Extremely Low Income 35% AMI (Adjusted by HUD)			40% AMI (Adjusted by HUD)			Very Low Income 50% AMI (Adjusted by HUD)		
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup> / "Low HOME" <sup>3</sup>
ONE	STUDIO	\$ 14,500	\$363		\$16,900	\$423	\$ 422	\$19,300	\$483	\$ 483	\$24,150	\$604	\$603
TWO	1-BR	\$ 16,550	\$414		\$19,300	\$483	\$ 452	\$22,100	\$553	\$ 517	\$27,600	\$690	\$646
THREE	2-BR	\$ 18,650	\$466		\$21,750	\$544	\$ 543	\$24,850	\$621	\$ 621	\$31,050	\$776	\$776
FOUR	3-BR	\$ 20,700	\$518		\$24,150	\$604	\$ 627	\$27,600	\$690	\$ 717	\$34,500	\$863	\$896
FIVE	4-BR	\$ 22,350	\$559		\$26,100	\$653	\$ 700	\$29,800	\$745	\$ 800	\$37,250	\$931	\$1,000
SIX	5-BR	\$ 24,000	\$600		\$28,000	\$700	\$ 773	\$32,000	\$800	\$ 883	\$40,000	\$1,000	\$1,104
SEVEN	6-BR	\$ 25,650	\$641		\$29,950	\$749		\$34,200	\$855		\$42,800	\$1,070	\$1,207
EIGHT		\$ 27,300			\$31,900			\$36,450			\$45,550		

Family Size	Unit Size	60% AMI (Adjusted by HUD)			65% AMI (Adjusted by HUD)			70% AMI (Adjusted by HUD)		Low Income 80% AMI (Adjusted by HUD)	
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	TCAC <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	"High HOME" <sup>3</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$29,000	\$725	\$724	\$31,400	\$785	\$765	\$33,800	\$845	\$38,650	\$966
TWO	1-BR	\$33,100	\$828	\$776	\$35,900	\$898	\$821	\$38,650	\$966	\$44,150	\$1,104
THREE	2-BR	\$37,250	\$931	\$931	\$40,350	\$1,009	\$987	\$43,450	\$1,086	\$49,700	\$1,243
FOUR	3-BR	\$41,400	\$1,035	\$1,076	\$44,850	\$1,121	\$1,132	\$48,300	\$1,208	\$55,200	\$1,380
FIVE	4-BR	\$44,700	\$1,118	\$1,200	\$48,450	\$1,211	\$1,244	\$52,150	\$1,304	\$59,600	\$1,490
SIX	5-BR	\$48,000	\$1,200	\$1,325	\$52,050	\$1,301	\$1,353	\$56,050	\$1,401	\$64,050	\$1,601
SEVEN	6-BR	\$51,350	\$1,284		\$55,600	\$1,390	\$1,464	\$59,900	\$1,498	\$68,450	\$1,711
EIGHT		\$54,650			\$59,200			\$63,750		\$72,850	

Family Size	Unit Size	100% Area Median Income (No HUD adjustment)		120% AMI (No HUD adjustment)	
		ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>	ANNUAL INCOME <sup>1</sup>	GROSS RENT <sup>2</sup>
ONE	STUDIO	\$44,400	\$1,110	\$53,250	\$1,331
TWO	1-BR	\$50,700	\$1,268	\$60,850	\$1,521
THREE	2-BR	\$57,050	\$1,426	\$68,450	\$1,711
FOUR	3-BR	<b>\$63,400</b>	\$1,585	\$76,100	\$1,903
FIVE	4-BR	\$68,450	\$1,711	\$82,150	\$2,054
SIX	5-BR	\$73,550	\$1,839	\$88,250	\$2,206
SEVEN	6-BR	\$78,600	\$1,965	\$94,350	\$2,359
EIGHT		\$83,700		\$100,450	

\* TCAC = Tax Credit Allocation Committee

1. Annual Income = Gross annual income adjusted by family size for Area Median Income (AMI) level. May contain additional adjustments as determined annually by HUD.
2. Gross Rent = cash rent plus the tenant-paid utilities (the "utility allowance"). See the "San Diego Housing Commission Utility Allowance Schedule" on the reverse side to calculate the utility allowance based on the project's actual utilities mix. Gross rent minus utility allowance = maximum cash rent.
3. For projects with multiple funding sources, use the lowest rents applicable.

"Low HOME" and "High HOME" rents effective March 31, 2005

**This general income and rental rate information is derived from the U.S. Department of Housing and Urban Development (HUD) very low income figures published on February 11, 2005 and TCAC Maximum Rents published February 11, 2005.**