



Good Neighbors

San Diego
Housing Commission

INFORMATIONAL REPORT

DATE ISSUED: February 24, 2006
REPORT NO.: HCR06-16
SUBJECT: Housing Commission Participation in the Tax Syndication Process

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

BACKGROUND

At its annual retreat in June 2005, the Housing Commission's Board of Commissioners inquired about an enhanced role for the agency in the tax credit syndication process for low-income projects. Specifically, the Commissioners asked whether the Housing Commission could be the syndicator itself and if it could charge a fee for completing tax credit applications on a developer's behalf.

Income generated by participating in this process could be put to a variety of uses, including the provision of other affordable housing projects. First raised by former Commissioner Tyler Cramer in late 2002, this idea was incorporated into the FY 2004-2006 Housing Commission Business Plan approved by the Housing Authority in February 2003.

DISCUSSION

Rod Solomon of Hawkins, Delafield & Wood, LLP, explored the possibilities, and his analysis is provided in the attached memorandum to CEO Morris. With respect to the Housing Commission participating as the syndicator itself in low-income tax credit projects, he determined there may not be a financial incentive to such activity, and significant conflict of interest and legal issues would need to be addressed.

Mr. Solomon also raised the possibility of the Housing Commission pre-qualifying a group of syndicators to simplify the selection process and abbreviate the transaction delivery, thus reducing financing costs. His opinion is it would result in a slight, if any, business advantage to the Housing Commission.

Lastly, with regard to earning fees to complete tax credit applications on a developer's behalf, it is the view of Mr. Solomon and other experts he consulted that there is little opportunity for the



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Housing Commission to compete in a market that is already well-served by public finance consultants.

In addition to Mr. Solomon's research, the CEO pursued these concepts with several west coast tax syndicators. Their description of large capitalization requirements and current market conditions (tax credits are being purchased at near or full face value) allows little margin for financial benefit.

Given the constraints and concerns cited by Mr. Solomon, Housing Commission participation in the tax credit syndication process is not recommended at this time.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Cissy Fisher
Director, Housing Finance & Development

Elizabeth C. Morris
President and Chief Executive Officer

Attachment