



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE ISSUED: September 26, 2003

ITEM 104

REPORT NO.: HCR03-086
For the Agenda of October 3, 2003

SUBJECT: Financing Package for Acquisition and Rehabilitation of Casa Colina del Sol
(Council District 7)

SUMMARY

Issue No. 1: Should the Housing Commission recommend that the Housing Authority take the final steps to issue tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of Casa Colina del Sol by Housing Development Partners (“HDP”) (Council District 7)?

Recommendation #1: That the Housing Commission recommend that the Housing Authority authorize the:

- (a) Issuance of tax-exempt multifamily housing revenue bonds in an amount not to exceed \$3,500,000 to finance the acquisition and rehabilitation of the 75-unit Casa Colina del Sol senior housing complex located at 5207 52nd Place in Council District 7 of San Diego; and,
- (b) Chief Operating Officer of the Housing Commission, or designee, to execute all documents necessary to facilitate the financing;

Issue No. 2: Should the Housing Commission acquire the fee title to the property located at 5207 52nd Place from the City of San Diego, subject to the existing Ground Lease?

Recommendation No. 2: Recommend that the Housing Authority authorize the Housing Commission to:

- (a) Amend the Housing Commission’s fiscal year 2004 budget by adding \$700,000 of California Housing Finance Agency (CalHFA) HELP Program loan funds to effectuate the purchase of the fee title at 5207 52nd Place.
- (b) Approve amendments to the Ground Lease that, subject to approval by the Chief Operating Officer of the Housing Commission and General Counsel to the Housing Commission, would:
 - (1) Allow for the extension of the lease, from the remaining 28 years to 55 years, to satisfy the regulatory requirements of the proposed financing; and



- (2) Incorporate a default mechanism into the lease to protect the interest of the Housing Commission in the event of a default by the lessee under the terms of the lease and any financing secured by the leasehold interest of the Borrower.

Issue No. 3: Should the Housing Commission participate in the limited partnership to be formed by HDP?

Recommendation No. 3: Recommend that the Housing Authority authorize the Housing Commission to participate in the limited partnership to be formed by HDP as a Special Limited Partner to safeguard the Housing Commission's financial interest in the Leasehold and Improvements.

Fiscal Impact/Rationale:

Issue/Recommendation No. 1: The issuance and sale of the bonds would not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds would be limited to specific private revenue sources. All costs of the financing, including compensation for staff efforts in preparing the bonds, would be borne by the developer. The Housing Commission's annual fee for administering the bonds would be up to \$8,050 (0.23 percent of the total bond amount).

Issue/Recommendation No. 2: The Housing Commission would seek to extend the term of the lease from the remaining 28 years to 55 years, as this longer term is a condition of the project financing. The Housing Commission would also amend the lease to add provisions that would protect the interest of the San Diego Housing Commission upon a default under the terms of the lease. In exchange for an extended, and below-market, lease (2.25 percent of gross rents – currently, approximately \$13,000 per year), HDP would provide the Housing Commission with a \$700,000 lease prepayment, payable within two years from permanent financing. The Housing Commission would use these funds to repay the HELP loan.

Issue/Recommendation No. 3: The Housing Commission's participation, as a Special Limited Partner in the limited partnership to be formed by HDP, would not impart a liability or fiscal obligation to the Housing Commission. Rather it would provide the Housing Commission with another means of exercising certain cure rights, and an option to acquire the Improvements at the end of the 15-year tax credit compliance period.

Affordable Housing Impact: With one unit set aside for the manager's residence, HDP would restrict eight units of rental housing to very low-income seniors with incomes at or below 50 percent of Area Median Income (AMI) (\$25,500 for a two-person household) and 66 units affordable to low-income seniors with incomes at or below 60 percent of AMI (\$30,600 for a two-person household). The following table describes the proposed initial rents:

Rental Restrictions with HUD Subsidy*

Unit Type	Unit Size (sq. ft.)	No. of Units	Monthly Rent Per Unit @ 50% AMI	Monthly Rent Per Unit @ 60% AMI	Monthly Utility Allowance Per Unit	Monthly Housing Cost Per Unit	Monthly Market Rent From Rent Survey	Annual Rent Savings Over Market Rate
1br/1ba	576	8	\$641		\$29	\$670	\$825	\$ 17,664
1br/1ba	576	66		\$641	\$29	\$670	\$825	\$145,728
2br/1ba	750	1(mgr)						
Total		75						\$163,392

* The income for all tenants currently residing in the complex is 50% of AMI or below. Per the HUD Section 8 contract, the Owner receives \$641 (combination of tenant payments and HUD subsidy) for each unit. The tenant pays 30% of their actual income towards rent. HDP would assume the HUD contract for this property to ensure that the very low-income seniors can reside at the complex at affordable rents.

Environmental Review: The proposed development was reviewed by the City and found to be exempt from review under the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the CEQA guidelines, and exempt from review under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58, Section 58.34(a)(12).

Community Planning Group Review: HDP contacted the chairperson of the City Heights Planning Group regarding the proposed development. Per that discussion, it was determined that the group would not require a vote to approve acquisition and rehabilitation of Casa Colina del Sol because the use of the property would not change with implementation of these recommendations.

Equal Opportunity Statement: Staff has reviewed and approved the Certificate of Compliance and the San Diego County Workforce Reports submitted by HDP.

Previous Related Action: On March 14, 2003, HCR03-025, the Housing Commission approved the project's financing team (Bond Counsel and Financial Advisor) and recommended the following actions, which were approved by the Housing Authority and City Council on April 8, 2003:

- Housing Authority Bond inducement resolution number 1190 declaring the Housing Authority's "Official Intent" to issue up to \$3,500,000 in tax-exempt bonds;
- City Council resolution R-297844 approving the Housing Authority's issuance of tax-exempt bonds;
- Housing Authority resolution number 1189 approving a \$1,600,000 three percent residual receipts loan to HDP for the acquisition and rehabilitation of Casa Colina del Sol, and HDP's subsequent transfer of the land to the Housing Commission in exchange for a 55-year lease at the current rate of 2.25 percent of gross rents.

On March 21, 2003 (Report No. HCR03-027) the Housing Commission approved an application to the CalHFA for \$2 million in funding under the HELP program to initiate

short-term development loans to acquire, construct, or rehabilitate affordable multifamily rental housing projects. The Housing Commission subsequently received a HELP Program funding reservation of \$1,664,000 in June 2003.

Future Related Action: Final approval of the Housing Commission's recommendations will be sought at the next available Housing Authority meeting.

BACKGROUND

The Borrower

HDP is a nonprofit, public benefit, corporation established by the Housing Commission in 1990 to acquire and develop publicly financed low and moderate-income housing and to provide facilities and services related to housing. The organization is operated by a Board of Directors consisting of two members of the Board of Commissioners of the San Diego Housing Commission, the Chief Executive Officer of the Housing Commission, and four at-large directors.

HDP developed and owns Knox Glen, a fifty-four unit affordable housing development for families located at 4720 Logan Avenue in the San Diego community of Lincoln Park. In 2002 HDP acquired the Mason Hotel, a 27-unit single-room-occupancy facility located at 1345 Fifth Avenue in Downtown San Diego. HDP is also a general partner, with Barone Galasso & Associates, in the Island Village development, a 280-unit rental-housing complex located in the East Village.

HELP Funds

The Housing Commission recently submitted an application to CalHFA's HELP Program and was awarded a funding reservation of \$1,664,000 in June 2003. HELP funds are available to a local government entity as an unsecured loan from CalHFA for up to 10 years at three percent simple interest per annum, and carry minimal restrictions and conditions. Repayment is required, in full, not later than 10 years from the date a loan agreement is executed. Under this format, the local government entity contracts to repay CalHFA and lends or otherwise utilizes the funds for its stated purposes. The local government entity does not provide property or other resources as collateral and draws down HELP funds as specific project opportunities become available. This would be the Housing Commission's first draw on the funds.

Prior to using HELP funds, the Housing Commission must amend its fiscal year 2004 budget to incorporate the funds.

DISCUSSION

HDP applied for, and was awarded, \$1,600,000 of funding under the Housing Commission's current Notice of Funding Availability (NOFA) for the Construction, Acquisition, and Operation of Affordable Rental Housing. Subsequently, the Housing Authority, on behalf of HDP, submitted an application to the California Debt Limit Allocation Committee's (CDLAC) 2003 round two funding cycle and was awarded a bond allocation of \$3,500,000. The project's bond allocation will automatically revert to CDLAC unless the bonds are issued by November 17, 2003. A general description of the Housing Commission's Multifamily Bond Program, and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize a bond financing, is described in Attachment 1.

The Development

Located near the intersection of 52nd Street and University Avenue in City Heights, Casa Colina del Sol senior housing complex ("Improvements") was developed in 1978 as seventy-five units of rent-restricted housing for low-income seniors under a HUD-insured mortgage program (a location map is included as Attachment 2). The Improvements consists of a well-maintained three-story apartment building with a manager's office, laundry facility, tenant lounge, multi-purpose room with kitchen, arts and crafts room, and a landscaped area with barbeque equipment.

The Improvements were constructed on leased city-owned land by the developer and current owner of the Improvements, Gentry & Coles, which is a California General Partnership represented by Nancy G. Boyd and Robert J. Coles. The seller's 55-year lease agreement with the City of San Diego expires on December 22, 2031. The seller's original twenty-year regulatory agreement with HUD expired in 1998. Since then, the seller and HUD have annually renewed the contract.

Impact on Current Residents

Current rents average approximately \$641 per month under the HUD project-based Section 8 Housing Assistance Payment (HAP) contract. However, tenants are required to pay only up to thirty percent of their income towards this rent, with HUD subsidizing the difference. Under the contract, HUD may allow the developer to collect HAP contract rents (combination of HUD subsidies and tenant-paid rents) that exceed the lowest rents permitted by other participating programs (Housing Commission, Home, and Tax Credits). However, with continued HUD participation, under no circumstances would tenants be required to pay more than 30% of their income for rent.

The HUD contract is subject to annual voluntary participation by the project owner and renewal by HUD. To maintain HUD rent subsidies to tenants, HDP would seek to renew the HUD contract annually. Should HUD ever decide not to renew the HAP contract, HDP would seek Section 8 vouchers, if available, for the tenants to allow them to either stay at the complex or relocate to another development and continue to pay only up to 30% of their income towards the

rent. Absent a HUD HAP contract, the proposed financing would restrict rents at 30% of 50% AMI and 60% AMI (currently \$569 and \$688, respectively) for 55 years from the date the bonds are issued.

Rental Restrictions without HUD Subsidy

Unit Type	Unit Size (sq. ft.)	No. of Units	Monthly Rent Per Unit @ 50% AMI	Monthly Rent Per Unit @ 60% AMI	Monthly Utility Allowance Per Unit	Monthly Housing Cost Per Unit	Monthly Market Rent From Rent Survey	Annual Rent Savings Over Market Rate
1br/1ba	576	8	\$569*		\$29	\$598	\$825	\$ 24,576
1br/1ba	576	66		\$688	\$29	\$717	\$825	\$108,504
2br/1ba	750	1(mgr)						
Total		75						\$133,080

Relocation should be minimal because there would be no change in the use of the property. However, should relocation costs be greater than budgeted, developer fees would be used to cover the excess. The current property manager, SK Management, would be retained by HDP.

Project Financing

The total estimated development cost of this proposal is approximately \$7,891,800 (including a \$700,000 lease prepayment), which is approximately \$101,080 per unit. Total permanent investment of Housing Commission funds would be approximately \$21,333 per unit (excluding the interim \$700,000 HELP loan to the Housing Commission). Primary financing comes from the issuance of tax-exempt bonds in the approximate amount of \$3,355,000, tax credit equity of approximately \$1,947,000, a Housing Commission loan of \$1,600,000, deferred developer fee of approximately \$679,000, and a Letter of Credit (completion assurance guarantee) of approximately \$310,800.

The bond-financed loan of \$3,355,000 will be marketed and sold by Red Capital. The bonds will be credit enhanced by the Government National Mortgage Association (“Ginnie Mae”) and are expected to generate the highest rating (“AAA”) by Standard and Poor’s. If the project requires, the Housing Authority would issue up to an additional \$145,000 to meet federal tax requirements that at least 50% of certain project costs be funded from the proceeds of tax-exempt bonds. Secondary Bonds would be unrated and secured solely by receipt of tax credit investments.

Commitment for the bond’s credit enhancement, which is being processed through HUD, may not be available prior to the deadline for issuance of the Bonds. In this instance, the Housing Authority would issue bonds that would be secured by a guaranteed investment contract (“GIC”) with an “AAA” rated financial institution. Upon receipt of the commitment for credit enhancement, the permanent security structure would replace the GIC.

The Housing Commission’s permanent financing of \$1,600,000 would be in the form of a three percent interest, 55-year residual receipts loan secured by a trust deed recorded against the

leasehold estate. Payments on the Housing Commission loan would be from fifty percent of the residual receipts following repayment of the developer's deferred fees. Principal and interest would be due and payable one year after the senior loan is paid off.

The Housing Commission would use HELP funds to purchase the land from the City. In exchange for an extended, and below-market, lease (2.25 percent of gross rents – currently, approximately \$13,000 per year, for 55-years), HDP would provide the Housing Commission with a \$700,000 lease prepayment, payable within two years from permanent financing. The Housing Commission would use these funds to repay the HELP loan.

HDP also intends to apply for an Affordable Housing Program (AHP) forgivable loan of up to \$290,000. These additional project funds would allow HDP to recoup its deferred developer fees more quickly. Consequently, the Housing Commission would receive residual receipts payments earlier than currently anticipated.

Housing Commission as Special Limited Partner

To protect its \$1,600,000 loan, the Housing Commission will seek to employ the following strategies:

- A. Special Limited Partner: If permitted by the financing structure, the Housing Commission would participate in the limited partnership, to be formed by HDP, as a Special Limited Partner. In this capacity, the Housing Commission would have the ability to replace the general partner (HDP) in the event of a default under the bond documents or the Housing Commission's loan. Additionally, the Housing Commission would seek to have an option, but not the obligation, to acquire the Improvements at the end of the 15-year tax credit compliance period. The Housing Commission would have no other rights or obligations under the limited partnership, nor any interest in partnership income or losses. This special limited partner status is subject to the approval of all applicable funding sources.
- B. Lease: The lease would be amended and restated as a condition to the Commission's acquisition of the fee title, on terms and conditions acceptable to the Chief Operating Officer of the Commission and its General Counsel. The lease would provide for remedies upon default. The lease would provide for cure rights for institutional lenders, including HUD/FHA. The lease would not allow for the fee interest owned by the Housing Commission to be encumbered by the financing but it would allow encumbrance of the leasehold interest by the institutional lenders. The form of the amended and restated lease will be approved by the Chief Operating Officer and General Counsel for the Commission before the close of the transaction to purchase the real property by the Housing Commission.

The Financial Plan

Total Development Cost:	The total development cost, including the lease prepayment, is estimated at \$7,891,800.
Appraised Value:	The "as-is" value of the leasehold and leasehold improvements (Lease and Improvements) is \$4,450,000; HDP will purchase Lease and Improvements for \$4,350,000. The estimated land value is \$700,000, which will be owned by the Housing Commission.
Security:	<p>The Housing Commission's \$1,600,000 loan would be secured by a trust deed recorded against the Leasehold Improvements and the Leasehold estate junior to a first encumbrance against the Lease and the Improvements in favor of the permanent lender, in an amount not to exceed \$3,500,000. This loan would be a non-recourse loan upon the completion of the rehabilitation.</p> <p>The \$700,000 HELP loan to the Housing Commission, which is separate from the \$1,600,000 loan referenced above, would be unsecured and have a maximum term of ten years.</p>
Loan-to-Value:	Estimated total Loan-to-Value using the before-rehab value and permanent financing is 111 percent.
Debt Service Ratio:	The debt service ratio on the first trust deed would be a minimum of 1.15.
First Trust Deed:	An estimated \$3,355,000 in tax-exempt bonds for a term of 35 years. The bonds will be sold publicly with credit enhancement provided by FHA to achieve the highest possible rating (AAA is expected). If additional bonds (up to a maximum of \$145,000) were needed, they would be unrated, sold privately, and issued for a maximum term of three years.
Second Trust Deed:	A Housing Commission residual receipts loan of \$1,600,000 for fifty-five years at three percent simple interest would be secured by the Lease and the Leasehold Improvements.

Equity Investment:	An estimated \$1,947,000 tax credit investment.
Payments on the Second Trust Deed:	Subject to approval of other lenders, payments of 50 percent of residual receipts payable to the Housing Commission. Principal and interest would be due and payable one year after the senior loan is paid off.
Rent Restrictions:	Would be contained in the Lease agreement and/or a Declaration of Covenants, Conditions, and Restrictions with 55 years of affordability restrictions recorded against the property to restrict rents for eight units at 50 percent of Area Median Income and rents for 66 units at 60 percent of Area Median Income. The Section 8 contract will be retained as long as feasible.
Occupancy Restrictions:	Occupancy would be restricted to seniors 62 years or older (which is how the property is currently being operated) who earn no more than 50 percent of AMI (\$25,500 for a two person household) for eight units and 60 percent of AMI (\$30,600) for 66 units. These would be contained within the Lease and/or a Declaration of Restrictions.
Recourse:	The loan would be non-recourse to the borrower because of tax credit rules upon the completion of the rehabilitation.
Term:	Fifty-five years
Management Plan:	The Housing Commission has reviewed and approved HDP's Management Plan.
Operating Expense:	Operating expenses for the development are estimated to be \$21,700 per month (\$290 per unit).
Pro Forma Assumptions:	Income increases are projected at 2.5 percent per year; operating expenses at 3.5 percent per year; vacancy rate at 5 percent per year.
Replacement Reserves:	Replacement reserves of \$22,500 per year/ \$300 per unit are included in the expenses.

Risks and Mitigations

The issuance of bonds for the project does not constitute a debt or liability of the Housing Authority or the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds because the security for the bond repayment is limited to the value of the subject property and its revenue sources. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fees.

Staff has been working with Public Financial Management, Inc., the Housing Commission's financial advisor for this project, to perform due diligence under the proposed financing and in formulating the resulting recommendation for the Housing Authority. After evaluating the project's financial circumstances, the terms of the proposed financing and public benefits to be achieved, it is the financial advisor's recommendation that the bond issuance for the project be authorized. The Financial Advisor's analysis and recommendation to proceed is included as Attachment 6.

If the bond issuance were authorized, the following primary documents would be executed on behalf of the Housing Authority: Indenture of Trust, Financing Agreement, Regulatory Agreement and Bond Purchase Agreement. These documents, in a substantially final form, will be on file at the Housing Commission at the time of docketing for consideration by the Housing Authority.

With regards to the Housing Commission's \$1,600,000 loan, it should be noted that loans to tax credit developments become non-recourse upon the creation of a limited partnership for tax credit syndication because of Internal Revenue Service regulations that make the investment undesirable if structured otherwise. This would limit the Housing Commission's ability to recover funds because the encumbrance would be only on the property (the Lease and Leasehold Improvements) and not the other assets of the developer. The Housing Commission assumes this risk for tax credit-financed developments. However, the risk is deemed mitigated by conservative underwriting assumptions.

The Housing Commission's liability for repayment of the unsecured \$700,000 CalHFA HELP loan is mitigated by HDP's \$700,000 lease prepayment, which is payable from permanent financing within two years. The Housing Commission would use these funds to repay the HELP loan.

The Housing Commission loan and purchase of the land would be contingent upon HDP's receipt of firm commitments from the other financing sources. This contingency, coupled with the development experience of HDP's project management team and the financial stability of the existing project, makes this a relatively low-risk investment.

Summary

Acquisition of the project by HDP would preserve the units for low and very low-income seniors at a cost to the Housing Commission of \$21,333 per unit (permanent loan). Purchase of the land by the Housing Commission would ensure that it is used to provide affordable housing in perpetuity. The proposed Housing Commission loan would help preserve the affordability of 74 units of affordable senior housing in San Diego. The Housing Commission's loan of \$1,600,000 leverages approximately \$6,291,800 from other sources.

Disclosure

Commissioners Sal Salas and Tony Yip and Chief Executive Officer of the Housing Commission, Elizabeth C. Morris, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Morris receives compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Morris each have a "non-interest" as described in Government Code Section 1091.5 and are therefore legally entitled to participate, vote and be counted for quorum purposes in the matters referenced in this report.

It is the opinion of Charles B. Christensen, General Counsel for the Housing Commission, that none of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et.seq. (no compensation is paid by HDP to any of its members and HDP is an IRC 501(C)(3) entity) and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

Further, under the provisions of Title 24 USC 92.356, none of the individuals involved has a financial interest in the project and/or loan being made and/or other actions being proposed and therefore the proposed loan to HDP, a 501(c)(3) non profit does not, in the opinion of General Counsel, violate any federal conflict provision. Further, the action on these matters by the Housing Commission is advisory to the Housing Authority of the City of San Diego. The Housing Authority of the City of San Diego will make all final decisions on the matters, which are the subject of this report.

ALTERNATIVES

Do not approve, as presented, the recommendations that encompass the financing package for Casa Colina del Sol. However, each of the recommendations is intended to ensure the project's financial feasibility or to protect the Housing Commission's financial investment.

Respectfully submitted,

Approved by,

Cissy Fisher
Supervising Project Manager

**Signature on File
With Original Document**

Carrol M. Vaughan
Chief Operating Officer

Attachments:

1. Description Bond Program and Actions to be Taken
2. Location Map
3. SDHC General Application Form
4. Disclosure and Financial Statements*
5. Development Timeline
6. Financial Advisor's Report
7. Development Summary
8. Summary of Expenditures – Rental Housing Production (HELP loan)

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission office at 1625 Newton Avenue and the office of the City Clerk, 2nd floor, 202 "C" Street.

Information: Jahi Akobundu 619.578.7592

ATTACHMENT 1

SAN DIEGO HOUSING COMMISSION MULTIFAMILY BOND PROGRAM

General Description

The Multifamily Bond Program provides below market financing (based on tax exemption of bond interest) for developers willing to set aside a portion of the units in their projects as affordable housing. The issuer of these bonds is the Housing Authority. At the present time, \$515 million in outstanding bonds provides permanent financing for more than 8,900 multifamily rental units in the City, of which 4,081 units are restricted at various levels of affordability.

Bonds issued by the Housing Authority require a minimum "A" rating, which is typically achieved through the provision of an outside credit enhancement by participating financial institutions that underwrite the project loans and guarantee the repayment of bonds.

The authority to issue bonds is limited under the US Internal Revenue Code. The California Debt Limit Allocation Committee (CDLAC) accepts applications generally two to three times a year (funding "rounds"), and typically receives more applications than is available under its financing authority. The state has a \$75 per capita bonding capacity.

The following actions must be taken by the Housing Authority and by the City Council to initiate a bond financing:

1. Official Intent (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 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 Official Intent 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 structure a resulting proposal for the issuance of bonds.

2. 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 was given. 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 public hearing to be held by the City Council with respect to the proposed issuance of bonds will be published in the San Diego 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 bond issuing 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 Official Intent 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.

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 Official Intent 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.

ATTACHMENT 5

CASA COLINA DEL SOL DEVELOPMENT TIMELINE

April 8, 2003	Acquisition and rehabilitation loan to the Housing Authority for approval
October 29, 2003	Bond Closing
Mid-November, 2003	Start of rehabilitation
November, 2004	Completion of rehabilitation

ATTACHMENT 7

Development Summary October 3, 2003

Name: Casa Colina del Sol
Location: 5207 52nd Place
Description: Rental Housing For Seniors
Sponsor: Housing Development Partners

Unit Affordability

Total # of units: 75
Assisted units: 74

Restricted rents: one-bedrooms @ 50 percent of AMI (currently \$569)
one-bedroom @ 60 percent of AMI (currently \$688)
(1 two-bedroom manager's unit not restricted)

Market rent: one-bedroom @ \$825

Percent of MAI: 8 units @ 50 percent
66 units @ 60 percent

Affordability: 55 years

Development Cost

Total development cost:	\$7,891,800
HC development cost:	\$1,600,000
Total development cost per unit:	\$ 101,080
HC cost per unit (75 units):	\$ 21,333
HC subsidy per bedroom @ 76 br's:	\$ 21,053

Sources of Funds

Tax Exempt Bonds	\$3,355,000
Housing Commission Loan	\$1,600,000
4% Low Income Housing Tax Credits	\$1,947,000
Deferred Developer Fee	\$ 679,000
Letter of Credit (construction completion guarantee)	\$ 310,800

Pro Forma Summary

Estimated net annual income:	\$ 540,404 (year 1)
Estimated annual expense:	\$ 260,493 (year 1)
Annual debt service:	\$ 242,680 (1.15 ratio in year 1)