



Good Neighbors

San Diego
Housing Commission

- ◆ 1625 Newton Avenue
- ◆ San Diego, California 92113-1038
- ◆ 619.231.9400
- ◆ FAX: 619.544.9193
- ◆ www.sdhc.net

REPORT

DATE ISSUED:

September 29, 2003

ITEM 103

REPORT NO:

HCR03-087 (SUPPLEMENTAL)
For the Agenda of October 3, 2003

SUBJECT:

Proposed Change of Ownership, Assumption and Repositioning of Housing Commission Loan for Summit Crest Apartments (Council District 4)

SUMMARY

This is a supplemental report to the subject item previously presented at the September 12, 2003 Housing Commission meeting as Report Number HCR03-061 and included here as Attachment 1. (Updated Development Cost, Sources & Uses, and Pro Forma sheets follow in Attachment 1 as pages 1A-1 through 1A-3.) The issue is restated below:

Issue: Should the Housing Commission approve a change of ownership as well as an assumption and repositioning of the Housing Commission's \$670,000 residual receipts loan for Summit Crest Apartments, located at 4328-4490 Mayberry Street?

Recommendation: That the Housing Commission approve the transfer of ownership from Southwest Summit Crest, L.P. (the seller) to MAAC Project and the assumption and repositioning of the Housing Commission loan contingent upon (a) the seller's deposit of \$50,000 to fund the Operating Reserve account per the terms of the original loan agreement prior to loan closing, and (b) the seller's payment of all accrued interest at the time of loan closing?

BACKGROUND

The intent of this report is to inform the Housing Commission of additional new terms proposed by the MAAC Project as part of their request to approve a change of ownership as well as an assumption and repositioning of the San Diego Housing Commission \$670,000 residual receipts loan for the 70-unit Summit Crest Apartments.



This report also includes updated information received from the Summit Crest Apartments current owner and seller (Southwest Summit Crest, L.P.) in response to questions raised by the Housing Commission at the September 5, 2003 meeting.

DISCUSSION

ADDITIONAL BUYER PROPOSAL (MAAC PROJECT)

The additional loan term(s) that the MAAC Project has proposed for consideration is to provide increased rent and length of affordability for the Summit Crest Apartments. The increased rent affordability would be achieved in ten years at the time of the projected refinance of a portion of the private institution debt. Seven two-bedroom units and seven three-bedroom units currently at 80% of the Area Median Income (AMI) will have the rent affordability level reduced to the 70% AMI level.

The current and proposed affordability levels are as follows:

		Current Affordability		Proposed Affordability (Year 1-9)		Proposed Affordability (Year 10-55)	
Household Affordability	Income 2003 level	# Units	Years From 1999	Projected # Units	Years From 2003	Projected # Units	Years From 2003
TWO BEDROOM							
3 in family:							
50% AMI	\$28,700	4	4@55	4	55	4	55
60% AMI	\$34,440	10	2@55;8@30	10	55	10	55
70% AMI	\$40,200	0			55	7	55
80% AMI	\$45,950	0		21	55	14	55
Market (\$1,100)		21	Indefinite				
THREE BEDROOM							
4 in family:							
50% AMI	\$31,900	3	55	3	55	3	55
60% AMI	\$38,280	11	3@55;8@30	11	55	11	55
70% AMI	\$44,650	0			55	7	55
80% AMI	\$51,050			21	55	14	55
Market (\$1,200)		21	Indefinite				

If this proposed change of ownership is approved, the MAAC Project has requested that if any reduction is achieved in the San Diego Housing Commission loan principal amount, that a commensurate value be applied to the value of this loan at time of assumption.

UPDATED SELLER INFORMATION (SOUTHWEST SUMMIT CREST, L.P.)

At the request of General Counsel, the seller has submitted information in response to the concerns raised at the September 5, 2003 Housing Commission meeting (Attachment 2, Exhibit A). Counsel and staff have reviewed this information.

Item 2 in Attachment 2 identifies that the seller (Borrower) must maintain operating reserves of at least \$50,000. Currently there is no operating reserve account balance. The operating reserve account must be funded by the seller to the minimum \$50,000 amount prior to loan closing as a term of the San Diego Housing Commission loan assumption by buyer.

It has been determined that at the time of loan closing, the seller will be in a position to make payment of all accrued interest to the Housing Commission. There is approximately \$95,000 in accrued interest at the present time.

Item 3 in Attachment 2 identifies that the San Diego Housing Commission was entitled to \$228,000 in aggregated residual receipts payments in 2001 and 2002 from the seller. Of that amount, the \$95,000 accrued interest and the \$50,000 operating reserve can be funded. The remaining \$83,000 will be used to pay down the principal and then loaned back to the buyer in order for the buyer to benefit from the Housing Commission loan of \$670,000.

The sellers are in agreement with these terms.

ALTERNATIVE

The Housing Commission could deny this request, which would most probably result in MAAC Project being unable to complete the purchase of the units.

Submitted by,

Jack D. Farris
Housing Finance & Development Manager

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

- Attachments: 1. Report HCR03-061
2. Southwest Summit Crest, L.P. correspondence, Exhibit A only

Information: C. de Baca 619.578.7586