

# HOUSING AUTHORITY REPORT

## EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: February 26, 2007 REPORT NO: HAR 07-006  
ATTENTION: Members of the Housing Authority  
For the agenda of March 20, 2007  
ORIGINATING DEPARTMENT: San Diego Housing Commission  
SUBJECT: Preliminary Bond Items for Villa Nueva Apartments  
COUNCIL DISTRICT(S): District 8  
STAFF CONTACT: Cissy Fisher (619) 578-7585

**Please note:** There is a City Council companion for this item.

### REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds to fund the acquisition and rehabilitation of the 390-unit Villa Nueva Apartments. Borrower would acquire and rehabilitate the property and restrict rents below market; issuance of bonds and a proposed loan would require Housing Authority approval at a later date.

### STAFF RECOMMENDATION:

Housing Authority **a)** approve a bond inducement resolution (a “declaration of official intent”) for up to \$45 million in multifamily housing revenue bonds for the acquisition and rehabilitation of the Villa Nueva Apartments by Steadfast Villa Nueva L.P., a limited partnership managed by Steadfast Companies or its affiliate, (“Steadfast”) and Casa Familiar (“Casa”); and, **b)** authorize an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of authority to issue tax-exempt “private activity bonds” in an amount up to \$45 million for Villa Nueva Apartments

### EXECUTIVE SUMMARY:

Villa Nueva is an existing 390-unit affordable housing development located at 3604 Beyer Boulevard in San Ysidro. The project was built in 1970 and consists of 32 buildings on 14 acres. Villa Nueva contains 90 two-bedroom units, 264 three-bedroom units, 36 four-bedroom units, and 406 on-site parking spaces.

Villa Nueva has been owned and operated for over 35 years by Villa Nueva Inc., a non-profit organization established by the Order of St. Augustine of the Catholic Church. The project has a project-based Section 8 contract that expires as of June 30, 2007, but is subject to annual renewal with the Department of Housing and Urban Development (“HUD”). In addition, the project has a HUD-insured mortgage that matures in October 2010.

Under the proposed financing, Villa Nueva would restrict 10% of its units at 50% Area Median Income (AMI) (\$34,500 for a family of four), with the remaining 90% restricted at 60% (AMI) (\$41,400 for a family of four). In addition to the set-asides noted above, as part of the proposed transaction, a 20-year HAP contract will be obtained from HUD, assuring that the property remains affordable to the lowest income residents. Three units will be reserved for on-site managers and will not be occupancy restricted.

The \$45 million allocation that will be sought from CDLAC is approximately 20% higher than the amount for which the project is currently being underwritten (\$35.6 million). The developer has requested this cushion to account for possible increases in the bond amount due to increases in construction costs or decreases in the assumed interest rate. The bond amount that is ultimately issued will be based upon project costs, revenues, and interest rates at the time of bond issuance.

The total development cost of the project is estimated to be approximately \$71 million. Preliminary sources of funding include housing revenue bonds (\$35.6 million), federal tax credits (\$21.3 million),

income during rehabilitation (\$4,000,000), a deferred developer fee (\$500,000), and a proposed Housing Commission loan (\$9,600,000) which is currently being analyzed by staff and would require future approval by the Housing Authority.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested actions. Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. The bonds would not constitute a debt of the City of San Diego. If bonds are ultimately issued for the project, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On February 20, 2007, an informational item was presented to the San Ysidro Planning and Development Group on the proposed acquisition and rehabilitation of the project. In addition, the development team is working with residents to minimize the impacts of the proposed project.

ENVIRONMENTAL REVIEW:

This project is categorically excluded from the requirements of the National Environmental Policy Act (NEPA) pursuant to the applicable provisions of NEPA 24CFR Part 58, Section 58.35(a)(3)(ii). The project is also categorically exempt from the provisions of the California Environment Quality Act (CEQA) pursuant to section 15301 of the CEQA guidelines.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Very low and low income families who currently reside at Villa Nueva are stakeholders. Steadfast and Casa will acquire and rehabilitate the project. The seller of the property is Villa Nueva Inc., a non-profit organization established by the Order of St. Augustine of the Catholic Church. The tax credit investor and mortgage lender(s) have not yet been selected. The Housing Commission has selected Public Financial Management and Quint and Thimmig LLP to assist in preparing the proposed financing.

Respectfully submitted,

Approved by,

Cissy Fisher  
Director of Housing Finance & Development

Elizabeth C. Morris  
President & Chief Executive Officer