



REPORT

DATE ISSUED: November 2, 2007 REPORT NO: HAR 07-032
 ATTENTION: Chair and Members of the Housing Authority
 For the Agenda of December 4, 2007
 SUBJECT: Final Bond Authorization for Colina Park North Apartments

REQUESTED ACTION:
 Take the final step to authorize the issuance of Housing Authority mortgage revenue bonds to fund the acquisition and rehabilitation of the Colina Park North Apartments.

STAFF RECOMMENDATION:
 Housing Authority authorize the issuance of up to \$4.5 million in housing revenue bonds to fund the acquisition and rehabilitation of 64 multifamily affordable housing units, located at 4333 Dawson Avenue, by Hamilton San Diego Apartments LP (Hamilton LP).

BACKGROUND:
 Colina Park North is an existing multifamily property located at 4333 Dawson Avenue in the community of City Heights. The project was built in 1968 and consists of two buildings, a laundry room, sixty open parking spaces, four carports, a swimming pool, and recreation room. The 64 units are composed of the following bedroom mix: 14 studios, 39 one-bedroom, and 11 two-bedroom apartments. The developer will spend approximately \$1.3 million to rehabilitate the property. See Attachment 1 for a vicinity map.

Colina Park North will provide 63 rental units for occupancy by, and at rents affordable to, low and very-low income households: 7 units will be restricted at 50% Area Median Income (AMI) (\$31,050 for a household of three) and 56 units will be restricted at 60% AMI (\$37,250 for a household of three). In addition, one two-bedroom unit will be reserved for an on-site manager and will not be occupancy-restricted.

Type	AMI	Number of Units	Restricted Rent (net of utility allowance)	Market Rate	Monthly Savings per unit
Studio	50% AMI	2	\$589	\$850	\$261
Studio	60% AMI	12	\$712	\$850	\$138
One Bedroom	50% AMI	4	\$627	\$900	\$273
One Bedroom	60% AMI	35	\$758	\$900	\$142
Two Bedroom	50% AMI	1	\$749	\$1,025	\$276
Two Bedroom	60% AMI	9	\$907	\$1,025	\$118
Manager		1			
Total		64			\$1,208
Total Annual Savings					\$118,212

Development Team
 Hamilton LP will own and operate Colina Park North Apartments. Hamilton San Diego Apartments LLC (Hamilton LLC), a wholly owned affiliate of Levy Affiliated Holdings (LAH), will act as the administrative general partner of Hamilton LP. LAH is a real estate private equity firm that acquires and manages assets throughout the United States, with current holdings ranging from California to North Carolina. Based in Santa Monica, CA, the majority of the company's investments are focused in the

November 2, 2007

Final Bond Authorization for Colina Park North Apartments

Page 2

southwest with a concentration in the greater Los Angeles metropolitan area. LAH, through its principal and founder, Shaoul Levy, has acquired a mixture of retail, office, industrial, and residential properties. One of its five (5) multi-family residential properties is an 88-unit tax-exempt bond/low income housing tax credit project located in Bakersfield, California. The project is currently under renovation and will be completed by the end of 2007. Hamilton LLC's statement for public disclosure is included as Attachment 2. Casa Major, Inc. (Casa Major), a California non-profit corporation, will act as the managing general partner in Hamilton LP. A disclosure statement for Casa Major is included as Attachment 3.

Financing Structure

The project has a total development cost of approximately \$7,750,000; sources of funds include tax-exempt bonds, federal tax credits, developer equity, a deferred developer fee, and income from operations. Up to \$4.5 million in bonds will be issued for the project. At conversion to permanent financing, approximately \$750,000 of the bond amount will be retired, resulting in a permanent bond amount of approximately \$3,750,000. Permanent financing sources are summarized in the following table.

Proposed Permanent Financing Sources	
Housing Revenue Bonds	\$3,750,000
Tax Credits	2,200,000
Developer Equity	1,000,000
Deferred Developer Fee	800,000
Total	\$7,750,000

The bonds will be sold through a private placement with RBC Dain Rauscher Inc. (RBC). As part of the proposed financing, RBC will be required to sign an investor letter certifying that they are a sophisticated investor, understand the risks associated with the purchase of the bonds, and have completed all necessary due diligence in determining to purchase the bonds. RBC must also agree that a mortgage loan default will not, in itself, constitute a bond default.

The bonds may only be held by RBC or transferred to a parent, subsidiary or affiliate. RBC may also place the bonds in a trust or custodial arrangement if RBC or another entity agrees to guarantee or provide credit enhancement for the bonds resulting in a rating of at least "A" from a rating agency.

In addition, RBC has requested the ability to sell the bonds in denominations of not less than \$500,000 to no more than ten (10) purchasers who would agree to sign a sophisticated investor letter. The ability to sell bonds through a private placement to more than one purchaser would require a deviation from section 4.8 of the Housing Commission's policy for Multifamily Mortgage Revenue Bonds. Staff supports giving RBC this flexibility because the bonds would be sold only in large denominations to a small number of qualified purchasers who would agree sign sophisticated investor letters.

November 2, 2007

Final Bond Authorization for Colina Park North Apartments

Page 3

Public Disclosure and Bond Authorization

Because the bonds are being sold through a private placement, an Official Statement (public offering document) will not be used. In addition, the bonds will not be subject to SEC continuing disclosure requirements nor will they be credit enhanced or rated. However, it is necessary for members of the Housing Authority to disclose to staff any knowledge, not available to the general public, about the viability of the project, so that this information can be provided to RBC.

As part of its authorizing resolution, the Housing Authority will be asked to approve a Bond Indenture, a Loan Agreement, and a Regulatory Agreement and Declaration of Restrictive Covenants, a Bond Purchase Agreement, a Promissory Note, and other documents as may be necessary in consultation with the City Attorney's Office and Bond Counsel to document the transaction. At the time of docketing, all bond documents in substantially final form will be presented to members of the Housing Authority.

The Bond Indenture contains the basic financial terms of the bonds (maturity dates, interest rates, redemption provisions etc.) and is executed by the Housing Authority and the bond trustee. The Loan Agreement is entered into by the Housing Authority, RBC, and Hamilton LP (the Borrower) and summarizes the terms under which RBC is advancing bond proceeds to make a loan to the Borrower. The Loan Agreement also sets forth the project revenues pledged to repay the loan, and establishes events of default and remedies available to RBC.

The Housing Authority, RBC, and the Borrower are parties to the Regulatory Agreement and Declaration of Restrictive Covenants. The Regulatory Agreement contains all the affordable housing requirements and is recorded against the property to ensure the long-term use of the project as affordable housing. The Regulatory Agreement also includes covenants to ensure compliance with applicable federal tax and state laws.

The Bond Purchase Agreement outlines the terms under which the Housing Authority will issue and RBC will purchase the bonds. The Bond Purchase Agreement is executed and delivered by the Housing Authority, the Borrower, and RBC. The Promissory Note is executed by the Borrower upon the sale of the bonds in order to document the Borrower's repayment obligations. The Housing Authority endorses the Promissory Note and assigns it to the trustee as security for the repayment of the bonds.

The issuance of bonds will not result in a financial liability of the Housing Authority, the City, or the Housing Commission. 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 security for bond payments is limited to the value of the property and its revenue sources. The project owner is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee.

Staff has been working with CSG Advisors, the Housing Commission's financial advisor, to perform due diligence concerning the proposed financing and to formulate a recommendation for the Housing Authority. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is CSG's recommendation that the bond issuance for the project be authorized. CSG's analysis and recommendation to proceed is included as Attachment 4. A description of the Housing Commission's Multifamily Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed bond financings are described in Attachment 5.

Staff is also working with the City's Disclosure Practices Working Group to assure that the issuance of the Housing Authority bonds is in conformance with the City's disclosure requirements.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested action. The bonds will not constitute a debt of the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds; security for repayment of the bonds will be limited to the value of the property and its revenue sources. All costs of the financing, including compensation for staff efforts in preparing the bonds, will be borne by the project owner. The Housing Commission's origination fee under the financing will be up to \$10,350 (0.23 percent of the bond amount). At present, no local housing funds (Tax increment, Inclusionary, Housing Trust Fund, HOME, CDBG etc.) will be made available to develop the project.

PREVIOUS COUNCIL And/Or COMMITTEE ACTIONS:

On July 10, 2007, the Housing Authority approved a bond inducement resolution of up to \$4.5 million for the project and the City Council held a public hearing and approved a resolution in compliance with the Tax Equity and Fiscal Responsibility Act.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On June 15, 2007, the Housing Commission approved preliminary bond items for Colina Park North and on November 9, 2007, the Housing Commission recommended that the Housing Authority issue bonds for the project. The project is also scheduled to be reviewed by the City Heights Area Planning Group on December 3, 2007.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low and very-low income households are the intended residents of the project. Hamilton LLC and Casa Major will develop the project. The Quiogue Family Trust is the seller of the property. RBC will provide debt for the project and WNC and Associates, Inc. will act as the tax credit investor.

Respectfully submitted,

Approved by,

Cissy Fisher
Director of Housing Finance & Development

Elizabeth C. Morris
President & Chief Executive Officer

G:\hfshare\Reports\Bonds reports\Colina Park North\Final Authorization\HA Report.doc

- Attachments:
1. Site Map
 2. Hamilton LLC's Developer Disclosure Statement*
 3. Casa Major Developer Disclosure Statement*
 4. Financial Advisor Letter
 5. Multifamily Bond Program Summary

*Distribution of these attachments may be limited. Copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, Main Lobby.