



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 TO THE HOUSING AUTHORITY
EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: April 28, 2006 REPORT NO.: HAR06-008
 ATTENTION: Chair and Members of the Housing Authority
 ORIGINATING DEPT: San Diego Housing Commission
 SUBJECT: Preliminary Bond Items for Studio 15 Apartments
 COUNCIL DISTRICT: District 2
 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 development of a 275-unit rental complex located in downtown San Diego. Borrower would develop the property and restrict rents below market; issuance of bonds would require Housing Authority approval at a later date. A proposed loan from the Centre City Development Corporation (CCDC) would require approval by the Redevelopment Agency.

STAFF RECOMMENDATION:

Housing Authority **a**) approve a bond inducement resolution (a “declaration of official intent”) for up to \$25 million in multifamily housing revenue bonds for development of the Studio 15 Apartments, located at 15th Street and Imperial Avenue, by Affirmed Housing Group (Affirmed) and Housing Development Partners of San Diego (HDP); and, **b**) approve an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee for an allocation of authority to issue tax-exempt “private activity bonds” for the project.

EXECUTIVE SUMMARY:

Affirmed and HDP have been working together to develop 275 affordable housing units on the southwest corner of 15th Street and Imperial Avenue in downtown San Diego. Affirmed is a for-profit affordable housing developer who has completed a number of successful projects in San Diego. HDP is a nonprofit public benefit corporation established by the Housing Commission to develop affordable housing and to provide facilities and services related to housing. HDP is operated as an independent nonprofit by a Board of Directors.

Studio 15 will provide a total of 275 furnished living units. The living units will be larger and have more amenities than typical SRO units. The units will average approximately 275 square feet and each will have a bathroom and a kitchenette equipped with a combination microwave/convection oven, a sink with a garbage disposal, and a small refrigerator. Twenty-seven units will be restricted at 40% Area Median Income (AMI) (\$19,300 for a household of one), 108 units will be restricted at 50% AMI (\$24,200 for a household of one), 139 units will be



restricted at 60% AMI (\$29,000 for a household of one), and one unit will be restricted for occupancy by a resident manager.

The project has a total development cost of approximately \$40 million. Permanent sources of finance include a Centre City Development Corporation loan (\$15.8 million), federal tax credits (\$15.3 million), housing revenue bonds (\$8.3 million), and a deferred developer fee (\$600,000). It is anticipated that the Housing Authority will initially issue approximately \$21 million in bonds for the project. Of the total \$21 million estimated bond issuance amount, approximately \$13 million in housing revenue bonds will be used to finance the construction of the project and will be paid off at conversion to permanent financing. Staff is requesting \$25 million in bond issuing authority as a contingency to address unforeseen cost increases.

Should the Housing Authority at a later date authorize the issuance of bonds for the project, the bonds would not constitute a financial liability to 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.

FISCAL CONSIDERATIONS:

Approval of these preliminary actions does not commit the Housing Authority to issue bonds. If bonds are ultimately issued, security for repayment of the bonds will be limited to the value of the property and its revenues.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In June 2005, the CCDC Budget/Finance & Administration Committee and the Centre City Advisory Committee ("CCAC") voted unanimously to include the proposed project among the Fiscal Year 2006 Low and Moderate Income Housing Fund priorities. At its meeting on April 15, 2005, the CCAC Pre-Design Subcommittee reviewed the project and offered a variety of comments that were subsequently addressed in the design. The Housing Commission will hear this item on May 26, 2006 and the outcome will be presented as part of the staff report to the Housing Authority.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Affirmed and HDP compose the development team for the project. The owners of Affirmed and the HDP board members are listed in Attachments 2 and 4. The seller of the land for the project is the Jinger Lee Matuzas Trust. Ross Financial Services and Quint & Thimmig have been selected as bond counsel and financial advisor to represent the Housing Authority.

Cissy Fisher

Director, Housing Finance and Development

Carrol Vaughan

Executive Vice President and
Chief Operating Officer

