



Good Neighbors

San Diego
Housing Commission

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REPORT TO THE HOUSING AUTHORITY
EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: July 21, 2006 REPORT NO.: HAR06-015
 ATTENTION: Chair and Members of the Housing Authority
 ORIGINATING DEPT: San Diego Housing Commission
 SUBJECT: Preliminary Bond Items for Broadway Square 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 acquisition and development of a 393-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 \$40 million in multifamily housing revenue bonds for development of the Broadway Square Apartments, located at 9th Avenue and Broadway, by Centurion Partners, LLC (Centurion) 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:

Centurion and HDP have been selected by CCDC to develop 393 affordable housing units on the southeast corner of 9th Avenue and Broadway in downtown San Diego. Centurion is a for-profit affordable housing developer that specializes in high-rise commercial and residential projects. 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.

Broadway Square will provide a total of 393 affordable rental units: 267 studios/living units, 96 one-bedroom units, and 30 two-bedroom units. Forty units will be restricted at 50% Area Median Income (AMI) (\$24,200 for a household of one) and 353 units will be restricted at 60% AMI (\$29,000 for a household of one). The project will also include 2,000 square feet of commercial/retail space, a community room/ classroom, and two levels of underground parking.



The project has a total development cost of approximately \$66.9 million. Permanent sources of finance include a Centre City Development Corporation loan (\$10.4 million), federal tax credits (\$28 million), and housing revenue bonds (\$28.5 million). It is anticipated that the Housing Authority will initially issue approximately \$35 million in bonds for the project. Of the total \$35 million estimated bond issuance amount, approximately \$6.5 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 \$40 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. The issuance of bonds is contingent upon Agency approval of a CCDC loan and disposition and development agreement, among other contingencies.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On March 25, 2003, the Agency approved an OPA with original developer to construct the project. On September 23, 2003, the Housing Authority authorized the issuance of \$29.5 million in housing revenue bonds to finance the project. On November 15, 2005, the Agency approved a CCDC option to purchase the land and design documents for the project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In December 2005, CCDC issued a RFQ/P to find a developer for the site and on June 28, 2006, CCDC's board of directors selected Centurion and HDP to develop the Broadway Square project. The Housing Commission recommended approval of these items on August 4, 2006.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low and very-low income households are the intended residents of the project. Centurion and HDP compose the development team for the project. The owners of Centurion and the HDP board members are listed in Attachments 2 and 4 of the report. Capmark Securities and PNC Financial have been selected to provide debt and equity for the project. CCDC currently owns the property and intends to lease it to the developers. Stradling Yocca Carlson & Rauth and CSG Advisors 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

