



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: September 1, 2006 REPORT NO.: HAR06-017  
 ATTENTION: Members of the Housing Authority  
 ORIGINATING DEPT: San Diego Housing Commission  
 SUBJECT: Final Authorization to Issue Multifamily Housing Revenue Bonds  
 for Studio 15  
 COUNCIL DISTRICT: District 2  
 STAFF CONTACT: Cissy Fisher (619) 578-7585

**REQUESTED ACTION:**

Approve funding to develop a 275-unit affordable rental complex by taking the final step to issue housing revenue bonds for Studio 15. Borrower will acquire the site, construct the project, and restrict rents below market.

**STAFF RECOMMENDATION:**

Authorize the issuance of tax-exempt multifamily housing revenue bonds in an amount not to exceed \$20,500,000 for the acquisition and construction of the 275-unit Studio 15 project by Affirmed Housing Group (Affirmed) and its affiliate, Studio 15 Housing Partners, LLC, located at 15<sup>th</sup> Street and Imperial Avenue in downtown San Diego.

**EXECUTIVE SUMMARY:**

Studio 15 is a new construction community that will create a total of 275 new units. The development will be located on the southwest corner of 15<sup>th</sup> Street and Imperial Avenue in the East Village neighborhood of downtown San Diego. The project would consist of 275 furnished rental housing units and approximately 2,000 square feet of commercial lease space in one four-story building. The proposed apartments will meet the requirements of "living units" under San Diego Municipal Code Section 103.1959 since they will be larger and have more amenities than typical SRO units. Each apartment will have a bathroom and a kitchenette equipped with a combination microwave/convection oven, a sink with a garbage disposal, and a small refrigerator.

The project will restrict 27 units at 40% of the Area Median Income (AMI) (\$19,300 for a household of one), 108 units at 50% AMI (\$24,150 for a household of one), and 138 units at 60% AMI (\$29,000 for a household of one). Two units will be reserved for on-site managers.

Affirmed Housing Group and Housing Development Partners of San Diego will act as the developers of the project. Both entities have completed successful affordable housing projects in San Diego.



The project has a total development cost of approximately \$41,700,000; permanent sources of funds include tax-exempt bonds (\$8,400,000), tax credits (\$16,000,000), a residual receipts loan from the Centre City Development Corporation (CCDC) (\$16,300,000), and a deferred developer fee (\$800,000). Although approximately \$20,500,000 in bonds will be issued for the project, approximately \$12,100,000 of the bond amount will be paid off at conversion to permanent financing, resulting in a permanent bond of approximately \$8,400,000.

The bonds will be sold through a public offering with Capmark Securities acting as the underwriter. Payments on the bonds will be secured by a letter of credit provided by Citibank and will be rated AA/A1+ by Standard and Poor's Corporation.

An Official Statement in preliminary form will be used to market the bonds to investors. Information in the Official Statement verifies that the Housing Authority is an appropriate issuer of the bonds and that there is no existing or threatened litigation that would jeopardize the validity of the bonds; no financial information about the City or the Housing Authority is disclosed. In addition, it is necessary for members of the Housing Authority to disclose any knowledge, not available to the general public, about the feasibility of the project.

FISCAL CONSIDERATIONS:

The issuance and sale of 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. All costs of the financing, including compensation for staff efforts in preparing the bonds, will be borne by the developer.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On June 20, 2006, the Housing Authority approved a bond inducement resolution of up to \$25,000,000 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 (TEFRA). On the same date, the Redevelopment Agency approved a CCDC development permit for the project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Housing Commission Board recommended approval of preliminary bond items on May 26, 2006. The Housing Commission recommended approval of the proposed bond issuance at its meeting on September 15, 2006. On May 17, 2006, the Centre City Advisory Committee approved the scope and design of the project and on May 24, 2006, the CCDC board recommended approval of a CCDC development permit and a loan for the project.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Affirmed and HDP compose the development team for the project. The seller of the land for the project is the Jinger Lee Matuzas Trust. Capmark Securities and Boston Capital have been selected to provide debt and equity for the project. Ross Financial Services and Quint & Thimmig have been selected as bond counsel and financial advisor to represent the Housing Authority.