

REPORT

DATE ISSUED: June 8, 2007 REPORT NO: HCR 07-50  
ATTENTION: Chair and Members of the Housing Commission  
For the Agenda of June 15, 2007  
SUBJECT: Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for  
Colina Park North Apartments (Council District 7)

REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds to fund acquisition and rehabilitation of the 64-unit Colina Park North Apartments. Borrower would acquire and rehabilitate the property and restrict rents below market; issuance of bonds would require Housing Authority approval at a later date.

STAFF RECOMMENDATION:

1. Housing Commission recommend the:
  - A. Housing Authority approve a bond inducement resolution (a “declaration of official intent”) for up to \$5 million in multifamily housing revenue bonds for acquisition and rehabilitation of the Colina Park North Apartments by Hamilton San Diego Apartments, LLC (Hamilton LLC);
  - B. Housing Authority approve 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 \$5 million for Colina Park North Apartments; and,
  - C. City Council hold a public hearing (*known as a TEFRA hearing -Tax Equity and Fiscal Responsibility Act*) and adopt a resolution approving the issuance of tax-exempt bonds in an amount up to \$5 million by the Housing Authority for Colina Park North Apartments located at 4333 Dawson Avenue in the City of San Diego.
2. Housing Commission approve the financing team of Stradling Yocca Carlson and Rauth as bond counsel and CSG Advisors as financial advisor to begin work on the project.

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. 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: 13 units will be restricted at 50% Area Median Income (AMI) (\$31,050 for a household of three) and 50 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.

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Preliminary Bond Items for Colina Park North Apartments

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Type	AMI	Number of Units	Restricted Rent* (net of utility allowance)	Market Rate	Monthly Savings per unit
Studio	50% AMI	3	\$584	\$850	\$266
Studio	60% AMI	11	\$586	\$850	\$264
One Bedroom	50% AMI	8	\$617	\$900	\$283
One Bedroom	60% AMI	31	\$709	\$900	\$191
Two Bedroom	50% AMI	2	\$737	\$1,025	\$288
Two Bedroom	60% AMI	8	\$895	\$1,025	\$130
Manager		1			
<b>Total</b>		<b>64</b>			<b>\$1,422</b>
<b>Total Annual Savings</b>					<b>\$162,036</b>

\*Rents shown equal lesser of restricted rent or current rent roll.

Development Team

Hamilton LLC will own and operate Colina Park North Apartments. A wholly owned affiliate of Levy Affiliated Holdings (LAH) will act as the managing member of Hamilton LLC. 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 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. The company has successfully implemented a wide array of investment plans, from quickly turning around distressed assets to managing stabilized properties for maximum cash-on-cash returns. Hamilton LLC's statement for public disclosure is included as Attachment 2.

Selection of the Financing Team Members

Staff recommends assigning CSG Advisors as financial advisor and Stradling Yocca Carlson and Rauth as bond counsel to work on the project. The proposed financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial advisors and bond counsels are designated on a rotating basis from the firms selected through a competitive RFP process.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make federal tax credits available) to developers of affordable housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a project, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects are brought before the Housing Commission, Housing Authority, and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal and City Council TEFRA resolutions must be secured no later than 30 days after application submittal.

It is anticipated that the project will receive a bond allocation at CDLAC's July meeting; however, if necessary, staff will submit additional applications to CDLAC during 2007 to secure a bond allocation for the project. A general description of the Multifamily Bond Program and the actions that must be

taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 3.

The \$5 million allocation that will be sought from CDLAC is approximately 15% higher than the amount for which the project is currently being underwritten (\$4.5 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. Of the total \$4.5 million estimated bond issuance amount, approximately \$500,000 in housing revenue bonds will be used to finance the rehabilitation of the project and will be paid off at conversion to permanent financing. The permanent bond amount is estimated to be approximately \$4 million and 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 \$8.5 million. Other sources of financing include federal tax credits, developer equity, and a deferred developer fee. No local housing funds are anticipated. Preliminary permanent sources of funding are summarized in the following table:

<b>Proposed Permanent Financing Sources</b>	
Housing Revenue Bonds	\$4,000,000
Federal Tax Credits	\$2,600,000
Developer Equity	\$1,000,000
Deferred Developer Fee	\$900,000
<b>Total</b>	<b>\$8,500,000</b>

The developer is currently analyzing whether to issue the bonds through a private placement or public offering. Regardless of the method of sale, the bonds would meet all the requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and would fully comply with the City's ordinance on bond disclosure.

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:

N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Hamilton LLC will present their proposal for Colina Park North Apartments to the City Heights Planning Group in the near future.


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:

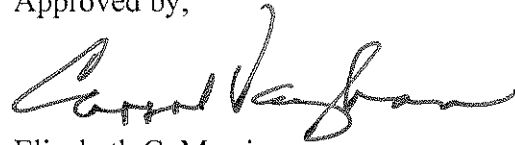
Low and very-low income households are the intended residents of the project. Hamilton LLC will develop the project. Hamilton LLC has not yet engaged financial participants to provide debt and equity for the project.

Respectfully submitted,



Cissy Fisher  
Director of Housing Finance & Development

Approved by,



Elizabeth C. Morris  
President & Chief Executive Officer

- Attachments:
1. Vicinity Map
  2. Hamilton LLC's Developer Disclosure Statement\*
  3. Multifamily Bond Program Summary

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

# Attachment 1: Vicinity Map



**Site Address: 4333 Dawson Avenue, San Diego**

ATTACHMENT 2



Housing Finance & Development

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

- 1. Name of developer: HAMILTON SAN DIEGO APARTMENTS, LLC
  
- 2. Address, phone number and ZIP Code:  
 201 Wilshire Blvd., Suite A28  
 Santa Monica, CA 90401
  
- 3. IRS Number of Developer: 26-0199355
  
- 4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:
  - A corporation
  - A nonprofit or charitable institution or corporation
  - A partnership known as: \_\_\_\_\_
  - A business association or a joint venture known as \_\_\_\_\_
  - A Federal, State or local government or instrumentality thereof.
  - Other (Limited Liability Company)
  
- 5. If the developer is not an individual or a government agency or instrumentality, give date of organization: May 11, 2007
  
- 6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:
  - a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.

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Developer Disclosure Statement Page 2

- b. If the developer is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
  
- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest.  
Shaoul J. Levy  
100% member  
201 Wilshire Blvd., Suite A28  
Santa Monica, CA 90401
  
- d. If the developer is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
  
- e. If the developer is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%.

<u>Name, Address &amp; Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
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- 7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the developer; or more than 50% of the stock in a corporation which holds 20% of the stock of the developer):

Developer Disclosure Statement Page 3

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
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8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above:

N/A

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

Member of developer is also a member of Levy Affiliated Holdings, LLC.  
201 Wilshire Blvd., Suite A28  
Santa Monica, CA 90401

10. The financial condition of the developer, as of May 1, 2007 is reflected in the attached financial statement.

11. If funds for the development are to be obtained from sources other than the developer's own funds, a statement of the developer's plan for financing the development:  
Funds may be obtained from investors pooled by the developer. However, the developer will be responsible for the financing of the project.

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking: (refer to Shaoul Levy's portfolio attached)

- a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
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- b. By loans from affiliated or associated corporations or firms:

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
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c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
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13. Name and addresses of bank references: (refer to Shaoul Levy's Resume attached)

14. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against them, defaulted on a loan, or been foreclosed against within the past 10 years? Yes  No   
If yes, give date, place, and under what name.

15. Has the developer or anyone referred to above as "principals of the developer" been indicted for or convicted of any felony within the past 20 years? Yes  No

If yes, give for each case (1) date, (2) charge, (3) place, (4) Court, and (5) action taken. Attach any explanation deemed necessary.

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion:

Coventry Place Apartments

Tax-exempt bond and low-income housing tax credit project currently under rehabilitation and will be completed by the end of 2007. Developer has owned the project (previously a 9% credit project) since 1996. Project is 88 units, 100% low-income, located at 3101 Coventry Drive in Bakersfield.

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder:  
At this time the general contractor has not been selected.

- a. Name and address of such contractor or builder:
  
- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? Yes \_\_\_\_\_  
No \_\_\_\_\_ If yes, explain:

c. Total amount of construction or development work performed by such contractor or builder during the last three years: \$ \_\_\_\_\_

General description of such work:

d. Construction contracts or developments now being performed by such contractor or builder:

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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e. Outstanding construction-contract bids of such contractor or builder:

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

Developer Disclosure Statement Page 6

19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes \_\_\_\_\_ No X  
If yes, explain.

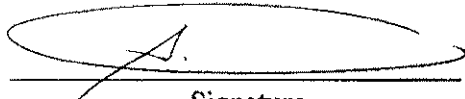
20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:

CERTIFICATION

I (We) Shaoul J. Levy certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: 5/21/07

Date: \_\_\_\_\_

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Title: Manager of LLC

Title: \_\_\_\_\_

Address & ZIP Code

201 Wilshire Blvd., Suite A28

\_\_\_\_\_

Santa Monica, CA 90401

\_\_\_\_\_

**SHAOUL J. LEVY**

**RESUME**

**AND**

**PORTFOLIO**

**Shaoul J. Levy**  
**Certified Public Accountant**  
**201 Wilshire Boulevard**  
**Suite A28**  
**Santa Monica, CA 90401**  
**Tel: (310) 395-5200 (310) 917-9114**  
**Fax: (310) 917-1101**  
[Shaoul@sjlevy.com](mailto:Shaoul@sjlevy.com)

2001 – PRESENT	Manager Levy Affiliated Holdings, LLC
1982 - PRESENT	Self-employed Certified Public Accountant with an established accounting and tax practice
1978 – 1982	Accountant Price, Waterhouse and Company 606 Olive Street Los Angeles, CA
1974 – 1978	Georgetown University, Washington, D.C. B.S. Degree
1970 – 1974	High School – Eltham College London, England
LICENSES AND AFFILIATIONS	Certified Public Accountant  American Institute of Certified Public Accountants

LIST OF REFERENCES AND CLIENTS  
WHO HAVE BEEN INVOLVED IN TRANSACTIONS WITH ME

**CLIENT REFERENCES**

Behnam Rafalian	(310) 836-1774
Fred Mir	(310) 788-0001
Shaul Mezrahi	(213) 623-8553

**BANKING REFERENCES**

Fred Rezayat Wells Fargo Bank (on sabbatical)	(310) 328-4545
Markus Kamarga East West Bank	(626) 581-5097
Hossein Eslami First Credit Bank	(310) 273-3120
Louis Tong United Commercial Bank	(626) 685-7240

**HOUSING COMMISSION MULTIFAMILY  
HOUSING REVENUE BOND PROGRAM  
Summary**

**General Description:** The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity bonds” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

**Bond Issuer:** Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds; there is no pledge of the City’s or the Housing Authority’s faith, credit or taxing power. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

**Affordability:** Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. In practice, projects financed by multifamily housing bonds are affordable for a minimum of 30 years. Bonds may also be combined with other financing sources to create deeper affordability and longer terms of restriction.

**Rating:** Generally “AAA” or its equivalent with a minimum rating of “A” or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support (“credit enhancement”) by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

**Approval Process:**

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts an “Inducement Resolution” to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

[Note: It is uncommon for the members of the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- Application for Bond Allocation: The issuance of these “private activity bonds” (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible, in any way, for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the

Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on the behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.