

REPORT

DATE ISSUED: November 2, 2007

REPORT NO: HCR 07-87

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of November 9, 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:

Recommend that the 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, L.P. (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. 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 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 \$8,100,000; 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	2,400,000
Developer Equity	1,100,000
Deferred Developer Fee	800,000
Project Income	50,000
Total	\$8,100,000

The bonds will be sold through a private placement with RBC Capital Markets (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. In addition, RBC must agree that a mortgage loan default will not, in itself, constitute a bond default.

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, and other documents as may be necessary in consultation with the City Attorney's Office and Bond Counsel to

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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 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). 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.

ENVIRONMENTAL REVIEW:

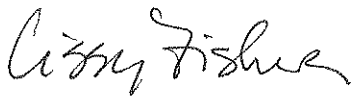
This project is categorically excluded from the requirements of the National Environmental Policy Act (NEPA) pursuant to the applicable provisions of NEPA 24CFR Part 58, Section 58.35(a)(3)(ii). The project is also categorically exempt from the provisions of the California Environment Quality Act (CEQA) pursuant to section 15301 of the CEQA guidelines.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

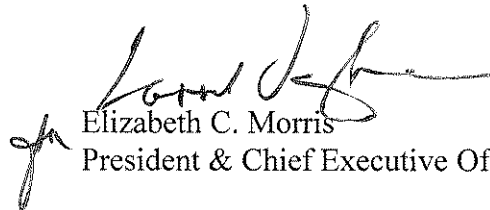
Low and very-low income households are the intended residents of the project. Hamilton LLC and Casa Major will develop the project. The Quiogue Family Trust is the seller of the property. RBC will provide debt for the project and WNC and Associates, Inc. will act as the tax credit investor.

Respectfully submitted,

Approved by,



Cissy Fisher
Director of Housing Finance & Development



Elizabeth C. Morris
President & Chief Executive Officer

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- 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.

Attachment 1: Vicinity Map



Site Address: 4333 Dawson Avenue, San Diego



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.

- 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 & 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):

<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:

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: _____

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

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

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Address and Description of Property (e.g. commercial building, residence, multifamily)	Title In Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
Land 40 Acres Needles, CA	1/2 Ownership	50%	20,000	1986	400,000	200,000	0	0	0	N/A	N/A
Commercial / Office 13006 Philadelphia Ave. Whittier, CA 50,000 sq. ft. Condition: good	The Whittier Building, Inc	40%	950,000	1988	2,500,000	650,447	516,627 357,256	206,651 142,902	46,129 2,356	East West Bank 407 W. Valley Blvd Alhambra, CA 90401 Beal Bank Loan# 22-80004300	450,000 93% Occupied NOI 166,000
Residence 12315 17th Helena Dr Los Angeles, CA 3400 sq. ft. Condition: good	100% Self	100%	580,000	1993	2,500,000	750,000	1,750,000	1,750,000	30,000	Washington Mutual	N/A
Commercial/Ind/Office 1920 Colorado, Inc. 1920 Colorado Ave. Santa Monica, CA	1920 Colorado, Inc.	20%	6,500,000	1994	14,500,000	1,601,137	5,794,315 700,000	1,158,863 140,000	576,864 52,500 I.O.	Gemsa Loan Services, LP 201 Wilshire Inc	1,227,032 100% occupied NOI 959,000
Commercial/Retail 501 Main, Inc. 501 Main Street Huntington Beach, CA	501 Main, Inc.	25%	820,000	1994	3,000,000	570,989	246,044 470,000	61,511 117,500	60,000 32,250 I.O.	City of Huntington Beach Redevelopment 201 Wilshire Inc.	336,805 100% occupied NOI 226,000
Commercial/Office 201 Wilshire, Inc. 201 Wilshire Blvd Santa Monica, CA	201 Wilshire, Inc.	25%	2,450,000	Jun-1995	9,520,000	1,469,447	3,642,212	910,553	280,438	Manufacturers Bank	1,067,177 75% occupied NOI 485,000
Commercial/Retail 11901 Olympic, Inc. 11901 Olympic Blvd Los Angeles, CA	11901 Olympic, Inc.	25%	2,460,000	Jul-1995	7,000,000	1,261,801	1,952,795	488,199	141,344	East West Bank	697,709 100% occupied NOI 519,000
Commercial/Retail 7707 Sunset, Inc. 7055-7079 Sunset Blvd. Los Angeles, CA	7707 Sunset, Inc.	20%	2,400,000	July 1996	6,000,000	729,452	2,352,742	470,548	211,584	Wilshire State Bank 3200 Wilshire Blvd Los Angeles, CA 90010	746,393 100% Occupied NOI 442,000

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Address and Description of Property (e.g. commercial building, residence, multifamily)	Title in Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
Office Building 100 N. Brand Glendale, CA	100 N. Brand, Inc.	10%	7,125,000	Oct-1996	10,000,000	840,625	1,593,750	159,375	255,406	Washington Mutual	NOI 312,508.7 1,100,000 90% Occupied
Residential Income 196 Units 20919 Bloomfield Ave Lakewood, CA	Casa Madrid, Inc.	15%	7,600,000	1995	15,000,000	1,500,000	5,000,000	750,000	821,544	Amresco 235 Peachtree St NE Suite 900 Atlanta, GA 30303	1,800,000 100% Occupied NOI 1,091,983
Residential Income 88 Units 3101 Coventry Bakersfield, CA	3101 Coventry LLC	8%	3,100,000	Nov-1996	5,000,000	200,000	2,500,000	200,000	0	Mark & Marci Feldman Trust	666,182 100% Occupied NOI 92,832
Retail 9901 Washington Blvd. Culver City, CA	9901 Washington LLC	20%	7,150,000	1997	14,000,000	1,530,013	6,349,934	1,269,987	446,826	East West Bank	1,406,991 95% occupied NOI 1,018,000
Medical Building 5000 Sunset Blvd. Los Angeles, CA	5000 Sunset LLC	15%	5,200,000	Oct-1997	9,000,000	586,077	5,092,823	763,923	550,627	Bank of America	1,400,000 100% Occupied NOL (66,273)
Retail 3501 Chapman Ave. Orange, CA	3501 E. Chapman LLC	25%	7,100,000	Oct-1997	17,000,000	2,250,000	8,000,000	2,000,000	726,412	CW Capital	1,366,206 95% Occupied NOI 1,062,000
Retail 401 E. 2nd Street Los Angeles, CA	401 E. Second Street, LLC	20%	3,000,000	Dec-1997	11,500,000	510,000	8,950,000	1,790,000	600,000 I.O.	Deutsche Bank	1,055,256 100% Occupied NOI 825,000
Retail 296 Palm Cyn Palm Springs, CA	296 Palm Canyon, LLC	20%	1,326,000	Aug-1999	4,000,000	800,000	0	0	0	Free & Clear	0 NOL (26,000)
Retail 333 N. Palm Canyon Palm Springs, CA	333 N. Palm Canyon, LLC	20%	2,600,000	Mar-2000	3,500,000	339,068	1,804,660	360,932	154,106	East West Bank	542,412 74% Occupied NOI 358,000

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Address and Description of Property (e.g. commercial building, residence, multifamily)	Title In Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
Retail and Residential Income 904-932 Broadway & 1505 9th, 1506 10th St Santa Monica, CA	926 Broadway, LLC	25.39%	13,600,000	Feb-2001	14,200,000	875,867	10,750,348	2,729,513	1,083,744	Gemsa Loan Services, LP	1,670,835 94% Occupied NOI 346,085
Retail 7101 Sunset Blvd Los Angeles, CA	7101 Sunset, LLC	20%	8,350,000	Feb-2002	10,000,000	871,401	5,642,997	1,128,599	388,656	Nara Bank	992,140 67% Occupied NOI 417,321
Medical Buildings 19066 Magnolia Huntington Beach, CA	19066 Magnolia, LTD -A Calif. Limited Partnership	23%	5,100,000	June 2002	5,820,000	142,870	5,198,826	1,195,730	436,409	United Comm'l Bank	775,512 100% Occupied NOI 583,000
Retail 9276-9452 Telephone Rd Ventura, CA	9300 Telephone Road LTD	20%	3,000,000	July-2002	3,500,000	291,822	2,040,890	408,178	156,000	Nara Bank	696,250 91% Occupied NOI 176,222
Retail 11020-11351 S. Crenshaw Inglewood, CA	One Imperial Plaza LLC	Tinu Casa Madrid 20%	15,500,000	Aug 2003	25,000,000	2,832,892	10,835,542	2,167,108	646,284	United Commercial Bank	88% Occupied NOI 1,906,489
Retail 501 S. Vincent West Covina, CA	501 Vincent LLC	20%	4,800,000	Sept-2003	8,000,000	500,400	5,498,000	1,099,600	0	Neman Brothers	95,731 NOL (119,000)
Retail 7900 Sunset Boulevard Los Angeles, CA	7900 Sunset LP	10%	5,870,000	Jan-2004	6,500,000	132,266	5,177,338	517,734	439,560	Wachovia Securities	439,560 NNN 100% Occupied NOI 440,000
Retail 500 Carson Town Ctr Carson, CA	500 Carson Town Ctr LLC	20%	20,845,000	May 2004	21,000,000	541,048	18,294,760	3,658,952	1,639,927	U.S. National Association	1,639,927 NNN 100% Occupied NOI 1,640,000
Retail 2252 Mercantile Way Barstow, CA	Barstow Outlet LLC	20%	12,500,000	Sept 2004	12,500,000	909,163	7,954,184	1,590,837	708,000	Nara Bank	NOL (153,635)
Retail 40387 Sierra Drive Three Rivers, CA	SPA At Sequoia LLC	20%	2,512,000	Sept 2004	2,512,000	202,400	1,500,000	300,000	266,112	United Commercial Bank	0 Vacant

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Address and Description of Property (e.g. commercial building, residence, multifamily)	Title In Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
Retail /Office/Apts 17105-17115 Kenton North Carolina	17111 Kenton Dr LP	15%	8,050,000	Feb 2005	8,050,000	225,630	6,545,802	981,870	370,464	Bond Street Capital	846,000 NOI 585,000
Retail 3650 Olympic Blvd Los Angeles, CA	3650 Olympic LLC	20%	8,600,000	Apr 2005	8,600,000	376,000	6,720,000	1,344,000	436,800	United Commercial Bank	NOI 344,438
Retail Mirasol & Union Pacific, Los Angeles	3650 Olympic LLC	20%	3,800,000	May 2005	3,800,000	160,000	3,000,000	600,000	157,416	Private Party	
Retail 8325 Copely Drive North Carolina	8325 Copely Drive, LLC	20%	2,700,000	May 2005	2,700,000	210,000	1,650,000	330,000	152,625 I.O.	First Credit Bank	0 Vacant
Residential 5800 Trancas Malibu	5800 Trancas LLC	40%	3,000,000	May 2005	6,000,000	1,800,000	1,500,000	600,000	91,200	EMC Mortgage Corporation	0 Under Renovation
Franklin Covey 2200 Parkway Blvd. West Valley City, UT	Franklin Saltlake LLC	20%	33,830,000	June 2005	40,000,000	1,141,658	26,691,708	5,338,342	1,819,200	Column Financial Neman Brothers	3,044,851 NNN 100% Occupied NOI 3,044,000
NEW ACQUISITION Medical Offices 5010 & 5012 W. Sunset Bl Los Angeles, CA	5010 Sunset LLC	15%	1,150,000	March 2006	1,150,000	69,000	690,000	103,500		East West Bank	NOL (36,638)
NEW ACQUISITION 16026-16034 Sherman Way Van Nuys, CA	Salar Family Investment	25%	1,050,000	April 2006	1,050,000	94,250	673,000	168,250		East West Bank	
NEW ACQUISITION Apartments/Condo Conversion 8735 Variel Avenue, Canoga Park, CA	8735 Variel LLC	20%	3,710,000	July 2006	4,928,000	224,768	3,804,160	760,832		East West Bank	
NEW ACQUISITION Commercial/Retail 14311-14333 Ventura Blvd. Los Angeles, CA	14320 Ventura Boulevard LLC	25%	8,150,000	July 2006	8,150,000	712,500	5,300,000	1,325,000		Grand Pacific Financing Corp	

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Address and Description of Property (e.g. commercial building, residence, multifamily)	Title In Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
NEW ACQUISITION Vacant Land 12892 Foothill Blvd, Rancho Cucamonga, CA	Eastland Plaza LLC	25%	1,600,000	May 2006	1,600,000	190,750	837,000	209,250		East West Bank	0 Vacant Land
NEW ACQUISITION Vacant Land 12842 & 12854 Foothill Blvd Rancho Cucamonga, CA	Eastland Plaza LLC	25%	992,500	July 2006	992,500	125,875	489,000	122,250		East West Bank	0 Vacant Land
NEW ACQUISITION Shopping Center Manoa Marketplace 2851 E. Manoa St. Honolulu, HI 96839	Manoa Marketplace LLC	40%	25,000,000	October 2006	25,000,000	600,000	20,000,000 3,500,000	8,000,000 1,400,000		CW Capital M/V Investment Partners	(Purchased just 4 mos ago) 1,120,187 93% Occupied NOI 438,000
NEW ACQUISITION Apartments 10604 National Blvd. Los Angeles, CA 90034	10604 National Boulevard LLC	40%	2,500,000	Nov 2006	1,590,000	158,800	1,193,000	477,200		United Commercial Bank	(Purchased just 3 mos ago) 14,000 100% Occupied
NEW ACQUISITION Vacant Land 10612 National Blvd Los Angeles, CA 90034	National Overland LLC	40%	1,125,000	Nov 2006	3,270,000	524,000	1,960,000	784,000		United Commercial Bank	0 Vacant Land
TOTAL PROPERTY OWNED			252,715,500		360,331,500	29,702,415	222,119,713	51,601,690			

SOLD PROPERTIES:

Medical Buildings 8311 Florence Ave Downey, CA	SOLD \$ 4,250,000 8311 Florence, LTD -A Calif. Limited Partnership	23%	Jan 2003 3,450,000	June 2002	3,800,000	318,550	2,415,000	555,450	102,000	East West Bank	91,812 100% Occupied
Medical Buildings 1236 N. Magnolia Anaheim, CA	SOLD \$ 4,500,000 1236 N. Magnolia, LTD -A Calif. Limited Partnership	23%	May 2003 3,550,000	June 2002	4,150,000	350,750	2,625,000	603,750	105,000	East West Bank	460,000 100% Occupied
Retail 18955 Ventura Blvd Tarzana, CA	SOLD \$ 4,600,000 18955 Ventura, LLC	25%	Jan 2004 2,400,000	Feb 1998	3,500,000	400,000	1,900,000	475,000	0	Hawaii Bank	300,000 100% Occupied
Retail 988 N. Hill St Los Angeles, CA	SOLD \$ 8,500,000 Bamboo Plaza, LLC	30%	Jan 2004 5,400,000	Nov-1999	7,000,000	490,157	4,549,214	909,842	325,076	Wilshire State Bank Loan# 104717	840,000 70% Occupied
SOLD \$ 780,000			Jan 2004								

Address and Description of Property (e.g. commercial building, residence, multifamily)	Title In Name of	% of Ownership	Purchase Price	Year Purchased	Estimated Value	My Portion Net Value	Indebtedness	My Portion of Debt	Annual Payments	To Whom Payable	Gross Income & Occupancy Leasing Status (2006 NOI)
Medical Buildings 818 W. Alondra Blvd Compton, CA	818 W. Compton LTD -A Calif. Ltd Partnership	23%	650,000	June 2002	700,000	56,350	455,000	104,650	18,204	East West Bank	110,000 100% Occupied
Office / Retail 20 S. Anaheim Blvd. Anaheim, CA	SOLD \$ 2,430,000 20 S. Anaheim, LLC	20%	1,325,000	July 2004 1997	2,500,000	300,000	1,000,000	200,000	0	Great Western Bank PO Box 92356, Los Angeles, CA	393,000 100% occupied
Retail 1646 Ocean Ave Santa Monica, CA	SOLD \$ 2,820,000 1646 Ocean, LLC	20%	1,050,000	Sept 2004 Apr-1998	1,500,000	160,000	700,000	140,000	49,000	Rachmanony Trust	120,000 100% Occupied
Residential Income Las Vegas, NV	SOLD \$ 18,500,000 Sierra LLC			Jan 2005							
Industrial 5707 Alameda Los Angeles, CA	SOLD \$ 2,300,000 Shaoul Levy TIC LLC	100%	2,000,000	Feb 2005 Jan-2004							
600 N Brand Glendale, CA	SOLD \$ 21,000,000			July 2005			PROFIT FROM ASSIGNMENT \$400,000				
Residential Income 12 Units 800 Capeheart Court Ridgecrest, CA	SOLD \$1,220,000 800 Ridgecrest LLC	30%	277,000	August 2005 Nov-1996	350,000	15,000	300,000	90,000	0	Mark & Marci Feldman Trust	51,000 100% Occupied
Retail 4412 University Dr Mesa, AZ	SOLD \$ 3,875,000 4412 University Drive LLC	20%	3,100,000	October 2005 May 2004	3,500,000	333,971	1,830,145	366,029	275,802	East West Bank	
Apartments 1331 W Baseline Road Mesa, AZ	SOLD \$ 19,500,000 Dobson Bay Club LLC	20%	11,750,000	March 2006 Aug 2005	11,750,000	430,000	9,600,000	1,920,000		East West Bank	

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San Diego HOUSING COMMISSION

Housing Finance & Development

ATTACHMENT 3

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE (add extra sheets if you need more space)

- 1. Name of Developer/Non Profit Managing General Partner: Casa Major, Inc.
2. Address, phone number and ZIP Code: 16152 Beach Blvd., Suite 201 Huntington Beach, CA 92647 (714) 907-4070
3. IRS Number of Developer/Non Profit Managing General Partner: 31-1707836
4. If the developer/Non Profit Managing General Partner is not an individual doing business under his own name, the developer/Non Profit Managing General Partner has the status indicated below and is organized or operating under the laws of California as:
- A corporation
- X 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 (explain)
5. If the developer/Non Profit Managing General Partner is not an individual or a government agency or instrumentality, give date of organization: March 1, 2000
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/Non Profit Managing General Partner is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock. N/A

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Developer Disclosure Statement Page 2

- b. If the developer/Non Profit Managing General Partner is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. Robert Graham, Geoffrey L. Fralick, Raymond Baptista, Nancy A. Riley, R. J. Allen.
- c. If the developer/Non Profit Managing General Partner 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. N/A
- d. If the developer/Non Profit Managing General Partner 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. N/A
- c. If the developer/Non Profit Managing General Partner is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%. N/A

<u>Name, Address & 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): N/A

Developer Disclosure Statement Page 3

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
---------------------------------------	--

- 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/Non Profit Managing General Partner 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. No.

- 10. 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:

- 11. Sources and amount of cash available to developer/Non Profit Managing General Partner to meet equity requirements of the proposed undertaking: N/A
 - 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:

Developer Disclosure Statement Page 4

- | | <u>Description</u> | <u>Market Value</u> | <u>Mortgages or Liens</u> |
|-----|---|---------------------|---------------------------|
| 12. | Name and addresses of bank references: N/A | | |
| 13. | <p>Has the developer/<u>Non Profit Managing General Partner</u> 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 <u>X</u></p> <p>If yes, give date, place, and under what name.</p> | | |
| 14. | <p>Has the developer/<u>Non Profit Managing General Partner</u> 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 <u>X</u></p> <p>If yes, give for each case (1) date, (2) charge, (3) place, (4) Court, and (5) action taken. Attach any explanation deemed necessary.</p> | | |
| 15. | 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: N/A | | |
| 16. | <p>If the developer/<u>Non Profit Managing General Partner</u> 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: N/A</p> <p>a. Name and address of such contractor or builder:</p> <p>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:</p> <p>c. Total amount of construction or development work performed by such contractor or builder during the last three years: \$ _____
General description of such work:</p> <p>d. Construction contracts or developments now being performed by such contractor or builder:</p> | | |
| | Identification of | | Date to be |

Developer Disclosure Statement Page 5

<u>Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>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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17. 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: N/A

18. 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.

19. 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:

Developer Disclosure Statement Page 6

CERTIFICATION

I Robert E. Graham, as President of Casa Major, Inc., 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: October 30, 2007


Signature

Title: President

Address & ZIP Code

16152 Beach Blvd., Suite 201
Huntington Beach, CA 92647

November 2, 2007

Mr. Peter Armstrong
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: Colina Park Apartments

Dear Mr. Armstrong:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed bond financing for Colina Park Apartments (the "Project"). Our findings are organized as follows:

- Current Project Status and the Proposed Project.
- The Proposed Financing.
- Project's Projected Financial Status.
- Benefits and Risks to the Commission.
- Public Purpose.
- Negotiation of Additional Public Benefit.
- Recommendations.

CSG has based the analysis of the Project on documents provided by Levy Affiliated Holdings, LLC (the "Developer"), and on conversations with RBC Capital Markets (the Bond Purchaser) and Commission staff. The documents examined included the Developer's proposed financial schedules. CSG has not visited the site of the proposed Project.

CURRENT PROJECT STATUS AND THE PROPOSED PROJECT

The Current Project

The Project is located at 4333 Dawson Avenue in the City Heights area of the City of San Diego. The Project currently consists of 64 units in two buildings on 1.06 acres. The Project also includes a laundry room, sixty open parking spaces, four carports, a swimming pool and a recreation room.

The units consist of the following mix:

- 14 studio units;
- 39 1-bdm units; and
- 11 2-bdm units.

The units currently have no income or rent restrictions.

The Developer currently holds an exclusive option to purchase the property. The Developer's option period expires November 30, 2007.

The Proposed Project

The Developer proposes to rehabilitate the Project. The acquisition and rehabilitation of the proposed Project will be financed by sources including the proceeds of the sale of private activity

tax-exempt bonds, equity from the syndication of Low Income Housing Tax Credits, deferred developer fee and equity from the General Partner.

In order to qualify for the proposed funding sources, the Developer will be required to restrict income and rents to meet certain affordability requirements. 63 of the units will be so restricted. One unit will be an unrestricted manager's unit. The specific affordability restrictions are as follows:

- 7 units @ 50% Area Median Income ("AMI");
- 56 units @ 60% AMI; and
- 1 unrestricted manager's unit.

The affordability restrictions will be enforced by regulatory agreements associated with the tax-exempt bonds (55-year restriction) and the Low Income Housing Tax Credit program (55 year restriction).

The Developer indicates that a small number of households are over-income and will be offered financial incentives to relocate before the Project is placed in service.

On July 10, 2007, the Authority approved a resolution indicating its official intent to issue bonds in the not-to-exceed amount of \$5,000,000 for the Project. The resolution also approved submittal of an application to the California Debt Limit Allocation Committee (CDLAC).

The Housing Authority of the City of San Diego (the "Authority") submitted a request for \$4,500,000 in bond allocation to CDLAC. On September 26, 2007, CDLAC approved an allocation in the requested amount to the Authority.

THE PROPOSED FINANCING

Financing Sources

The Developer proposes to finance the acquisition and rehabilitation of the units with certain financing sources including the proceeds of the sale of private activity tax-exempt bonds and equity from the syndication of Low Income Housing Tax Credits. The Developer's projected construction and permanent financing sources are as follows:

	<u>Construction Period</u>	<u>Permanent Period</u>
Bond Proceeds	\$4,500,000*	\$3,750,000
General Partner Contribution	\$2,593,573	\$1,640,476
Deferred Developer Fee	\$801,925	\$801,925
Tax Credit Equity	\$334,365	\$2,227,838
Total	\$8,229,863	\$8,420,239

*Current Developer projection of need.

Ownership

The Project will be owned by Hamilton San Diego Apartments, L.P. Hamilton San Diego Apartments, LLC, will serve as the general partner of the limited partnership. The tax-credit investor limited partner will be WNC & Associates (or an affiliate).

Bond Structure and Credit Enhancement

The Developer proposes that the Authority issue up to \$4,500,000 of tax-exempt bonds (the "Bonds") to finance, in part, the acquisition and rehabilitation of the Project.

The Bonds would be purchased on a private placement basis by RBC Capital Markets. RBC will place the bonds in a custodial arrangement with a single large financial institution (such as a trustee bank) serving as custodian. The custodian will create a limited partnership – as holder of the bonds – and RBC will place a letter of credit (credit enhancement) on the bonds (the bonds will also be rated at this level of ownership). The custodian will then sell "participations" in denominations of no less than \$250,000. It is anticipated that the certificates will be rated "AAA/A-1+" based on the RBC letter of credit. Eligible participants will be limited to sophisticated investors (qualified institutional buyers (QIBs) and accredited investors). The participants will each be required to sign an investor letter attesting to their status as sophisticated investor.

The \$4,500,000 loan of bond proceeds will be available during construction to fund a portion of acquisition and rehabilitation costs. At the completion of construction and upon satisfaction of certain requirements, \$750,000 of the outstanding bonds will be redeemed. The remaining outstanding bonds of \$3,750,000 will "convert" to a permanent loan.

The construction period bond loan would have a 36-month maximum term, although rehabilitation is expected to be complete within 12 months. During the period prior to conversion, the Bonds will accrue interest at a fixed rate and will be subject to interest-only payments.

The permanent period bond loan will have 35-year maturity after conversion with full amortization during that period.

The construction and permanent loans will have the same interest rate. The rate will be set before bond closing.

Projected Issuance Date

The Developer proposes that the Bonds be issued on or about November 29, 2007. CDLAC has imposed an allocation expiration date of December 26, 2007. The Developer has endeavored to cause the closing of the bond issue prior to November 30, 2007, which date marks the termination of its option to purchase the property.

Commission Financial Involvement

The Commission has no financial involvement in this transaction.

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer – CSG estimates annual debt service on the senior loan of approximately \$262,353. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer and estimated Trustee fees) would total approximately \$61,763 at a debt coverage ratio (DCR) of 1.24. Cash flow after reserves would total \$45,563 (DCR @ 1.16).

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides a vehicle for financing the acquisition and rehabilitation of the Project. As proposed, the financing will result in the long-term affordability of 63 units in the City of San Diego.

If the Authority issues the bonds, the Commission would receive a fee at bond closing of 0.23% of the issue amount (\$10,350) and an annual fee, prior to conversion, equal to 0.23% of the original principal amount of the Bonds. After conversion, the Commission would receive a fee equal to 0.23% of the initial permanent bond amount (\$8,625).

PUBLIC PURPOSE

The proposed financing will result in 63 housing units affordable to low-income households: 7 units will be restricted to households earning 50% of AMI or less; 56 units will be restricted to households earning 60% of AMI or less.

The bond and tax credit regulatory agreements will require that 63 units are affordable at the above affordability levels for 55 years.

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

Given the Commission's limited financial involvement in this transaction, negotiation of additional public benefit may not be necessary.

RECOMMENDATIONS

Based upon analysis of the available information, we recommend that the Commission approve moving forward with the proposed issuance. Our recommendation is based upon the following:

- The financing will assist in creating 63 affordable units in the City of San Diego with long-term affordability covenants.
- The Commission has received a tax-exempt bond allocation of \$4,500,000 from CDLAC for the Project.
- The Commission is not providing additional financing for the Project.

- RBC Capital Markets is currently underwriting the Project.
- The Developer has selected a tax credit equity investor that is also currently underwriting the Project.
- The Commission will not be responsible for costs of issuance. The Commission, assuming the anticipated maximum loan amount, will receive an up front fee of \$10,350, an annual fee during construction of \$10,350, and a long-term annual fee of approximately \$8,625.

Contingent Items

The Commission may choose to move forward with the financing subject to the following contingencies:

- RBC Capital Markets must complete its underwriting for the Project and issue its final commitment. The Bonds cannot be issued without this commitment.
- WNC must complete the underwriting for its contribution of low-income housing tax credit equity.
- Final bond documents and an approving resolution must be approved by the Authority before the Bonds can be issued.

Should you require any further information or would like to discuss the Project or the proposed financing in additional detail, please do not hesitate to contact me.

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

Colina Park Apartments

date of rev: 11/2/07

Long-Term Bond Loan

Tax Exempt

Principal Amount ¹	\$	3,750,000
Mortgage Rate ¹		6.190%
Amortization Term		35
Underwriting Monthly Debt Service	\$	21,863
Underwriting Annual Debt Service	\$	262,353

¹ Source: Preliminary estimates from the Developer

Post Financing Operations Analysis¹

Income

Gross Rental Income	\$	572,064
Other Income	\$	9,216
Gross Potential Income	\$	581,280
Vacancy Collection Loss	5%	(29,064)
Effective Gross Income	\$	552,216

Expenses

Total Expenses	\$	(217,600)
Property Taxes	\$	-
Issuer Fee ²	0.23%	\$ (8,625)
Trustee Fee ³	0.05%	\$ (1,875)

Net Operating Income \$ 324,116

Required Debt Service

Senior		
Bond Loan	\$	(262,353)
		DCR 1.24
Subordinate		
na	\$	-
Total Debt Service	\$	(262,353)

Cash Flow before Reserves \$ 61,763

Debt Coverage Ratio Before Reserves 1.24

Reserves \$ (19,200)

Cash Flow After Reserves \$ 42,563

Overall Debt Coverage Ratio (DCR) 1.16

¹ Source: Preliminary Developer Projections

² Of the permanent principal amount

³ Estimate.

**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.