



SAN DIEGO  
HOUSING  
COMMISSION

## REPORT TO THE CITY COUNCIL & HOUSING AUTHORITY

**DATE ISSUED:** April 13, 2012

**REPORT NO:** HAR12-023

**ATTENTION:** Members of the City Council and Housing Authority of the City of San Diego  
For the Agenda of May 8, 2012

**SUBJECT:** Knox Glen Townhomes Refinancing and Preliminary Bond Items

**COUNCIL DISTRICT:** 4

**REQUESTED ACTION:**

Approve the proposed refinance plan and take the initial steps to issue Multifamily Housing Revenue Bonds to refinance the Knox Glen Townhomes ("Property"). This refinancing will provide funds to rehabilitate and preserve 54 units of affordable housing for families at the Knox Glen Townhomes for 39 years. Issuance of bonds will require Housing Authority of the City of San Diego approval at a later date.

**STAFF RECOMMENDATION:**

1. That the Housing Authority of the City of San Diego ("Housing Authority") approve the following actions:
  - a. Approve assumption of the San Diego Housing Commission's ("Housing Commission") loan to Housing Development Partners of San Diego ("HDP") by a to-be-formed limited partnership, of which HDP will be the sole general partner;
  - b. Approve the subordination of the Housing Commission's loan to a new first position tax-exempt bond loan and related security documents;
  - c. Authorize the Housing Commission to enter into an option agreement whereby the Housing Commission will have the option to purchase the Property beginning at the end of the 15-year tax credit compliance period and extending for 36 months, for an amount equal to the greater of: (i) the fair market value of the land and improvements; or (ii) the sum of: (a) the limited partner project-related exit tax liability; plus (b) the principal of and all accrued interest on the Housing Commission loan and all other loans secured by the Property, as approved by the Housing Commission;
  - d. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$5,500,000 in Multifamily Housing Revenue Bonds for the project;
  - e. Authorize 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 of up to \$5,500,000 for the project;
  - f. Approve the financing team of Quint & Thimmig as bond counsel and the PFM Group as financial advisor to begin work on the project;
  - g. Authorize the President & Chief Executive Officer ("CEO") of the Housing Commission, or a designee, to execute all necessary documents as approved by General Counsel and/or Bond Counsel and to take such actions as are necessary to implement the approvals; and

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2. That the City Council of the City of San Diego hold a public Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing, and adopt a resolution approving the issuance by the Housing Authority of tax exempt bonds in an amount of up to \$5,500,000 for the project.

### SUMMARY:

Knox Glen Townhomes is a nine-building, 54-unit property located in the southeastern part of San Diego at 4754 Logan Avenue (see Attachment 1) in Council District 4. The Property was built in 1996 by Logan Development, L.P., in partnership with Centerline Capital Group ("Centerline"). Knox Glen Townhomes was originally financed with a conventional loan from Chase Bank, residual receipts loans from both the Housing Commission and Southeastern Economic Development Corporation ("SEDC"), and 9 percent tax credit equity provided by Centerline.

In the proposed refinancing, the original Chase Bank loan, which has an interest rate of 8.74 percent, will be paid off and replaced with a tax-exempt bond loan. The Housing Commission and SEDC loans will be assumed by a new to-be-formed tax credit partnership. HDP will pay off \$150,000 of the existing \$1,439,674 of accrued interest on the Housing Commission loan prior to assumption. HDP will seek a new allocation of non-competitive 4 percent low-income housing tax credits and the proceeds from the refinancing will allow HDP to rehabilitate the Property.

### Proposed Rehabilitation

The Property has not had a comprehensive renovation since it was built in 1996. HDP has ordered a Physical Needs Assessment and will use it in collaboration with the project architect and construction management consultant, to organize and develop a detailed scope of work which will be competitively bid by a general contractor.

The scope of work will address the immediate physical needs and will extend the useful life of building systems that may not otherwise last for the next 15 years. The rehabilitation will also lower operating costs and improve energy efficiency.

The final scope of work has not been developed yet, however, the following are the estimated major improvements to the project:

- Replacement of original appliances and plumbing fixtures with new energy star rated models
- Replacement of kitchen and bathroom cabinets
- Installation of new energy efficient windows and doors
- New roofing and exterior paint
- Landscaping and water conservation improvements

A detailed rehabilitation scope of work will be provided to the Housing Commission and Housing Authority when final approval to issue bonds is requested (estimated to occur in August 2012).

The current estimate of rehabilitation costs is approximately \$2,137,286 (\$39,579 per unit). This figure includes the estimated costs to address the immediate repairs as well as other building system and aesthetic upgrades, general contractor's fees and a construction contingency.

Following completion of construction and final cost certification, any project cost savings or excess proceeds will be shared 50 percent to the developer and 50 percent to reduce the subordinate loans

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proportionately to the respective loan amounts, (approximately 90 percent to the Housing Commission and 10 percent to SEDC, or their successor agency). HDP will seek SEDC approval (or their successor agency approval) to subordinate the SEDC loan to the new first-position tax-exempt bond loan and to approve the assignment of their loan to the new HDP limited partnership. In addition, residual operating cash flow after payment of deferred developer fee will also be split 50 percent to the developer and 50 percent to residual lenders.

### Loan Assumption

In 1995, the Housing Authority approved a \$1,400,000 loan for the acquisition and development of the Knox Glen Townhomes. The current loan amount, including accrued interest is \$2,839,674. HDP is requesting that the loan be assigned to a new tax credit partnership of which HDP will be the sole general partner. HDP is also requesting that the Housing Commission subordinate its existing loan and accrued interest to the new tax-exempt bond loan which will replace the current first position loan from Chase Bank. HDP will pay off \$150,000 of the accrued interest of the existing Housing Commission loan and related security documents prior to assuming the note.

In return for permitting the assumption, the Housing Commission would have an option to purchase the property beginning at the end of the 15-year tax credit compliance period and extending for 36 months, for an amount equal to the greater of: (i) the fair market value of the improvements (taking into account the various applicable rent and occupancy restrictions); or (ii) the sum of: (a) the limited partner project related tax liability; plus (b) the principal of and all accrued interest on the Housing Commission loan and all other loans secured by the property.

### Unit Mix and Affordability

The property was originally developed with 9 percent tax credits and is currently governed by a tax credit regulatory agreement restricting the occupancy of 45 percent of the units to tenants whose incomes do not exceed 50 percent of the Area Median Income ("AMI") and 55 percent of the units to tenants whose incomes do not exceed 60 percent of AMI.

The remaining term of affordability under the original 1995 financing is 39 years, until November 2051. The minimum term of affordability under the bond program is 15 years and the 4 percent tax credit program requires affordable rents for a minimum period of 30 years. HDP is not proposing, nor are they required, to extend the term of affordability under this financing.

The proposed rents restrict the occupancy of the units to tenants at or below the AMI maximums listed below:

UNIT TYPE	NUMBER OF UNITS	RESTRICTED RENT
2 Bedroom (50%)	6	\$890
2 Bedroom (60%)	3	\$1,076
3 Bedroom (50%)	3	\$981
3 Bedroom TH (50%)	9	\$981
3 Bedroom TH (60%)	18	\$1,157
4 Bedroom TH (50%)	6	\$1,041
4 Bedroom TH (60%)	8	\$1,235
3 Bedroom MGR	1	
<b>Total/Average</b>	<b>54</b>	

Under the proposed refinancing, rents will be affordable until November 2051.

#### Development Team

HDP is a California 501(c)(3) non-profit public benefit corporation which was incorporated in April 1990. HDP is a separate legal entity established by the Housing Commission to acquire and develop low and moderate-income housing and to provide services related to housing. HDP has successfully participated in affordable housing transactions throughout San Diego.

HDP's portfolio serves San Diego's diverse affordable housing needs by providing apartments for seniors, families and special needs tenants. Since inception, HDP has developed 789 units of affordable housing within the City of San Diego.

The Board of Directors of HDP includes the President & CEO of the Housing Commission, Commissioner Gramling, Commissioner Spoon and two at-large community members. HDP's disclosure statement is included as Attachment 2.

#### Selection of the Financing Team Members

Staff recommends assigning Quint & Thimmig as bond counsel and the PFM Group as financial advisor 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 under the program through a competitive Request for Proposals 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 4 percent 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 five (5) calendar days prior to the first public posting of the CDLAC Committee bond allocation recommendations. These actions do not obligate the Housing Authority to issue bonds. It is anticipated that Knox Glen Townhomes will receive a bond allocation at CDLAC's July 27, 2012 meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for this 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.

Housing Development Partners plans to use approximately \$5 million of the bond proceeds to fund development costs during the construction period. The total bond request of \$5.5 million leaves a 10 percent cushion to allow for potential fluctuations in total development costs. Upon completion of the project the bond proceeds will be paid down with tax credit equity to the permanent loan amount of \$3.69 million.

The bond amount that is ultimately issued will be based upon project costs, revenues, and interest rates at the time of bond issuance. Housing Commission staff will return to the Housing Authority for

approval of the final bond amount. The total development cost of the project is estimated to be approximately \$10.4 million. Preliminary permanent sources and uses of funding are summarized in the following table:

<b>PERMANENT SOURCES</b>	<b>TOTAL AMOUNT</b>
LIHTC Equity	\$2,696,899
Acquired Reserves	\$87,000
Permanent Loan	\$3,695,433
Housing Commission Loan Assumption	\$2,618,500
SEDC Loan Assumption	\$221,174
Seller Note	\$653,967
Construction Period Income	\$257,902
Deferred Developer Fee	\$167,951
<b>TOTAL PERMANENT SOURCES</b>	<b>\$10,398,826</b>

<b>USES</b>	<b>TOTAL AMOUNT</b>
Acquisition Costs (Appraised Value)	\$4,900,000
Construction Costs	\$2,137,286
Permits and Fees	\$150,000
Architecture and Engineering	\$258,900
Due Diligence	\$55,350
Financing	\$432,854
Reserves	\$356,618
Bond and Tax Credit Costs	\$369,621
Other Soft Costs	\$656,234
Developer Fee	\$1,081,962
<b>TOTAL USES</b>	<b>\$10,398,826</b>

The developer currently proposes to issue the bonds through a public offering. The bonds will be structured to satisfy all the requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and to fully comply with the City's ordinance on bond disclosure.

#### **FISCAL CONSIDERATIONS:**

The Housing Commission loan will be subordinate to a new first position bond loan and related security documents. The loan term will not change and will be due and payable in November 2051 per the original note.

There are no fiscal impacts to the Housing Commission, City of San Diego, or Housing Authority associated with the requested bond actions. Subordination of the Housing Commission's loan does not change the Housing Commission's current lien position nor will it extend or increase the current loan terms. Approval of the action will provide for the repayment of \$150,000 of accrued interest payable from the bond closing. 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 of San Diego,

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 related to the financing, including the Housing Commission's annual administrative bond fee.

**PUBLIC CONFLICT DISCLOSURE STATEMENT:**

Commissioners Gary Gramling, Roberta Spoon, and President & Chief Executive Officer ("CEO") of the Housing Commission, Richard Gentry, are each directors and officers of Housing Development Partners ("HDP"), a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation for federal tax purposes.

Commissioner Gramling, Commissioner Spoon, and President & CEO Gentry receive no compensation for their service on the Housing Development Partners' Board of Directors and/or for serving as officers of HDP. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), Commissioner Gramling, Commissioner Spoon, and CEO Gentry each have a "non-interest" as described in Government Code Section 1091.5 for purposes of their actions on Housing Commission actions associated with this matter. This disclosure shall be incorporated into the record of the San Diego Housing Commission.

Further, as members of the Board of Commissioners of the Housing Commission, Mr. Gramling and Ms. Spoon are legally entitled to vote and be counted for quorum purposes in this matter affecting HDP. Further, Mr. Gentry is not compensated by HDP and he sits on the Board of Directors of HDP as a volunteer officer and director. Further, HDP supports the mission of the San Diego Housing Commission.

None of the Housing Commissioners has a financial interest in action items that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et. seq.

Further, the San Diego Housing Commission is a public agency and both Mr. Gramling and Ms. Spoon are not compensated for their service as Commissioners of the San Diego Housing Commission. Further, Mr. Gentry's compensation from a public agency, the San Diego Housing Commission, is a non interest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq. Moreover, Mr. Gentry is not a Commissioner of the San Diego Housing Commission and does not vote on matters heard by the San Diego Housing Commission.

Further, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither Chair Gramling, Vice Chair Spoon, nor President & CEO Gentry have any conflicts of interest under the local ethics ordinance that would preclude their, or any of their, actions in this matter or from being counted for quorum purposes or from voting on this matter. Further, even if HDP is not treated as a public agency for local purposes, there is no conflict for the Chair, Vice-Chair nor the President & Chief Executive Officer of the Housing Commission, under the terms of the local ordinance because of the exemptions referenced within the preceding paragraphs.

This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

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**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

This item was approved at the regular Housing Commission meeting of April 13, 2012, by a unanimous vote.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:**

The development team will present their proposal for rehabilitation of Knox Glen to the local Community Planning Group in the future.

**KEY STAKEHOLDERS and PROJECTED IMPACTS:**

The residents of Knox Glen are stakeholders. HDP is the developer and will own and manage the property through the bond and tax credit compliance period. The Housing Commission is a stakeholder due to their residual receipts loan and will continue performing ongoing compliance monitoring activities. SEDC, their successor agency, and the oversight committee are also stakeholders due to SEDC's existing loan on the property.

**ENVIRONMENTAL REVIEW:**

The project is categorically exempt from the provisions of the California Environmental Quality Act ("CEQA") pursuant to section 15301 (existing facilities) of the State CEQA guidelines. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this activity.

Respectfully submitted,



*for* Jerry Lohla  
Director  
Real Estate Department

Approved by,



Deborah N. Ruane  
Senior Vice President  
Real Estate Department

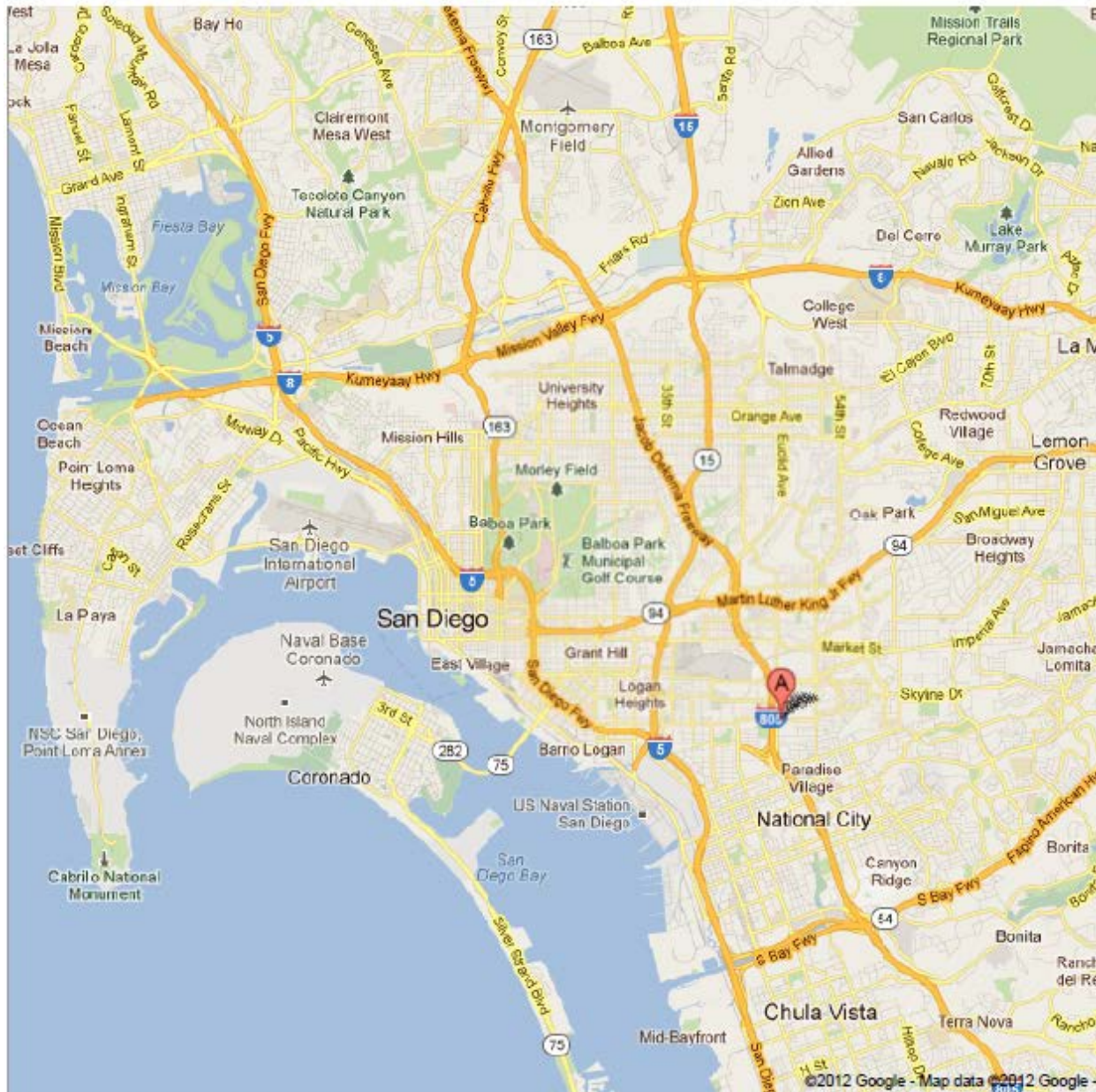
Attachments:

- 1) Property Location Map
- 2) Developer Disclosure Statement\*
- 3) Multifamily Bond Summary

\* Distribution of this attachment is limited. A copy is available for review at the San Diego Housing Commission offices at 1122 Broadway, Suite 300 San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101.



# KNOX GLEN - PROPERTY LOCATION MAP



- A. **Knox Glen Town Homes**  
4754 Logan Avenue, San Diego, CA  
(619) 527-7228



**ATTACHMENT E**

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/  
ENTITY SEEKING GRANT/BORROWERS  
(Collectively referred to as "CONTRACTOR" herein)  
STATEMENT FOR PUBLIC DISCLOSURE**

1. Name of CONTRACTOR: \_\_\_\_\_
  
2. Address and Zip Code: \_\_\_\_\_
  
3. Telephone Number: \_\_\_\_\_
  
4. Name of Principal Contact for CONTRACTOR: \_\_\_\_\_
  
5. Federal Identification Number or Social Security Number of CONTRACTOR: \_\_\_\_\_
  
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
  - \_\_\_ A corporation (Attach Articles of Incorporation)
  - \_\_\_ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status).
  - \_\_\_ A partnership known as: \_\_\_\_\_  

(Name)

Check one

( ) General Partnership (Attach statement of General Partnership)

( ) Limited Partnership (Attach Certificate of Limited Partnership)
  - \_\_\_ A business association or a joint venture known as: \_\_\_\_\_  

(Attach joint venture or business association agreement)
  - \_\_\_ A Federal, State or local government or instrumentality thereof.
  - \_\_\_ Other (explain)
  
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
- a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
  - b. If the CONTRACTOR 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 CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
  - d. If the CONTRACTOR 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 CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.(Attach extra sheet if necessary)

Name, Address and Zip Code	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

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10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

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11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

<b>Name, Address and Zip Code</b>	<b>Position Title (if any) and percent of interest or description of character and extent of interest</b>
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

<b>Name, Address and Zip Code</b>	<b>Position Title (if any) and percent of interest or description of character and extent of interest</b>
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name, Address and Zip Code	Relationship to CONTRACTOR
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

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16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. In banks/savings and loans:

Name, Address & Zip Code of Bank/Savings & Loan:

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Amount: \$ \_\_\_\_\_

- b. By loans from affiliated or associated corporations or firms:

Name, Address & Zip Code of Bank/Savings & Loan:

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Amount: \$ \_\_\_\_\_

- c. By sale of readily salable assets/including marketable securities:

Description	Market Value (\$)	Mortgages or Liens (\$)

17. Names and addresses of bank references, and name of contact at each reference:

Name, Address and Zip Code	Contact Name
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

\_\_\_ Yes \_\_\_ No

If yes, give date, place, and under what name.

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19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 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.

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20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

- a. Name and addresses of such contractor or builder:

Name, Address and Zip Code	Affiliation
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

- 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, please explain, in detail, each such instance:

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c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ \_\_\_\_\_

General description of such work:

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation.

<b>Project Name</b>		
<b>Project Owner Contact Information</b>		
	Name	Address
<b>Project Location</b>		
<b>Project Details</b>		
<b>Bonding Company Involved</b>		
	Name	Amount of Contract
<b>Change Order Details</b>		
<b>Change Order Cost</b>		
<b>Litigation Details</b>		
	Location/Date	Outcome Details

<b>Project Name</b>		
<b>Project Owner Contact Information</b>		
	Name	Address
<b>Project Location</b>		
<b>Project Details</b>		
<b>Bonding Company Involved</b>		
	Name	Amount of Contract
<b>Change Order Details</b>		
<b>Change Order Cost</b>		
<b>Litigation Details</b>		
	Location/Date	Outcome Details

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

Indentification of Contract or Development	Location	Amount	Date to be Completed

e. Outstanding construction-contract bids of such contractor or builder:

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding 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:

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23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

\_\_\_ Yes \_\_\_ No

If yes, explain.

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24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

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25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

\_\_\_ Yes \_\_\_ No

If yes, explain:

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26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category:

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard
- ☐ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:        Not Applicable

- ☐ Comprehensive Form
- ☐ Owned
- ☐ Hired
- ☐ Non-Owned

c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

          This coverage is provided through SDHC

d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]        See attached Errors and Omissions insurance certificates

e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

          Not Applicable

f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.

So warranted

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

So warranted

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

So warranted



30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state:

Government Entity Making Complaining	Date	Resolution

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation. If so, please explain the circumstances in detail. If none, please state:

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32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

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34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

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35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the COMMISSION, AUTHORITY and/or the CITY within the last five (5) years:

<b>Date</b>	<b>Entity Involved (i.e. City Commission, etc)</b>	<b>Status (Current, delinquent, repaid, etc.)</b>	<b>Dollar Amount</b>

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

\_\_\_ Yes \_\_\_ No

If yes, explain:

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37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

\_\_\_ Yes \_\_\_ No

If yes, explain:

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38. List three local references who would be familiar with your previous construction project:

1. Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Project Name and Description: \_\_\_\_\_

\_\_\_\_\_

2. Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Project Name and Description: \_\_\_\_\_

\_\_\_\_\_

3. Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Project Name and Description: \_\_\_\_\_

\_\_\_\_\_

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor 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.

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40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience

**ATTACHMENT 3**  
**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 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 faith, credit or taxing power nor of the Housing Authority’s faith or credit. 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. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

**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 the 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, the 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.

- **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 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.



5/2/2012

**Included with this distribution is one additional attachment  
for the item listed below.**

**Thank you.**

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**HOUSING AUTHORITY  
OF THE CITY OF SAN DIEGO  
AGENDA FOR  
REGULAR HOUSING AUTHORITY MEETING  
TUESDAY, MAY 8, 2012 AT 2:00 PM  
COUNCIL CHAMBERS:  
202 C STREET, SAN DIEGO, CA 92101**

**103    HAR12-023    Knox Glen Townhomes Refinancing and Preliminary Bond Items**

1. That the Housing Authority of the City of San Diego (“Housing Authority”) approve the following actions:
  - a. Approve assumption of the San Diego Housing Commission’s (“Housing Commission”) loan to Housing Development Partners of San Diego (“HDP”) by a to-be-formed limited partnership, of which HDP will be the sole general partner;
  - b. Approve the subordination of the Housing Commission’s loan to a new first position tax-exempt bond loan and related security documents;
  - c. Authorize the Housing Commission to enter into an option agreement whereby the Housing Commission will have the option to purchase the Property beginning at the end of the 15-year tax credit compliance period and extending for 36 months, for an amount equal to the greater of: (i) the fair market value of the land and improvements; or (ii) the sum of: (a) the limited partner project-related exit tax liability; plus (b) the principal of and all accrued interest on the Housing Commission loan and all other loans secured by the Property, as approved by the Housing Commission;
  - d. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$5,500,000 in Multifamily Housing Revenue Bonds for the project;
  - e. Authorize 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 of up to \$5,500,000 for the project;
  - f. Approve the financing team of Quint & Thimmig as bond counsel and the PFM Group as financial advisor to begin work on the project;
  - g. Authorize the President & Chief Executive Officer (“CEO”) of the Housing Commission, or a designee, to execute all necessary documents as approved by General Counsel and/or Bond Counsel and to take such actions as are necessary to implement the approvals; and
2. That the City Council of the City of San Diego hold a public Tax Equity and Fiscal Responsibility Act (“TEFRA”) hearing, and adopt a resolution approving the issuance by the Housing Authority of tax exempt bonds in an amount of up to \$5,500,000 for the project.

## Housing Development Partners

Housing Development Partners (HDP) is a nonprofit affiliate of the San Diego Housing Commission (SDHC) created in 1990. HDP's mission is to develop housing for low- and moderate-income San Diegans through the rehabilitation of existing properties and new construction.

HDP strives for housing that is functional, financially practical, environmentally sustainable and compatible with its surroundings. Its portfolio includes buildings specially designed for seniors, families, workers and tenants with special needs.

Since its inception, HDP has developed 789 apartments, townhomes and single-room occupancy units. It is under contract to purchase San Diego Square, a 156-unit apartment building for seniors, which will raise its total portfolio to 945 units.

HDP has a three-member staff with offices in downtown San Diego.

HDP is governed by a five-member board, including the President & CEO of SDHC and two members of the SDHC Board of Commissioners.

There are two at-large members, appointed to two-year terms by the SDHC Board of Commissioners. HDP Board meetings are open to the public.

- Richard C. Gentry, HDP Board President
- Sal Salas, HDP Board Vice President
- Roberta Spoon, HDP Board CFO
- Gary Gramling, HDP Board member
- Robert Henderson, HDP Board Secretary



## The HDP Portfolio

### IN PROGRESS

#### THE MASON HOTEL

Constructed in 1913, the three-story Mason Hotel along Fifth Avenue is being transformed into a modern, 17-unit single-room occupancy development in the heart of downtown San Diego. The building has been vacant since a 2004 fire destroyed its original 27 units. A \$3.6 million rehabilitation is under way, utilizing a \$2.68 million loan from SDHC. The interior was reconfigured to allow for larger rooms, with a private bath and kitchenette in each unit. All major building systems are being replaced or upgraded, and an elevator is being added.



The building will include a community room and ground-floor retail space. It will serve very low-income, mentally disabled adults who are homeless or at risk of homelessness, and will remain affordable for 55 years. Completion is expected in September 2012.

#### SAN DIEGO SQUARE

HDP is in the process of acquiring San Diego Square to preserve the 156-unit, downtown senior housing development as affordable housing for 55 years. Average monthly rent at the community is less than \$280. HDP also will perform the first major renovation of San Diego Square since it was built in 1980 along Broadway, between Ninth and 10th avenues.



Project Name	Total Units	Community Type
<b>IN PROGRESS</b>		
Mason Hotel	17	Single Room Occupancy (special needs)
San Diego Square*	156	Senior
Knox Glen	54	Family
<b>COMPLETED</b>		
Casa Colina	75	Senior
Island Village**	280	Single Room Occupancy (workforce)
Courtyard Terraces**	88	Senior
Studio 15**	275	Single Room Occupancy (workforce)
<b>Total</b>	<b>945</b>	

\*New Acquisition pending funding approval \*\*HDP is Co-General Partner

## The HDP Portfolio

### IN PROGRESS

#### KNOX GLEN TOWNHOMES

This family-oriented 54-unit property on Logan Avenue in Lincoln Park is getting its first comprehensive renovation since its construction in 1996. The project is being refinanced, with SDHC providing \$2.1 million in multifamily housing revenue bonds that will keep Knox Glen affordable through November 2051.

The rehabilitation will replace the apartments' original appliances and plumbing with new energy star-rated

models, replace kitchen and bathroom cabinets, and install energy-efficient windows and doors. The nine apartment buildings will have new roofing and exterior paint, and the grounds will be upgraded with landscaping and water-conservation improvements.



### COMPLETED

#### CASA COLINA DEL SOL

This 75-unit development on 52nd Place for low-income seniors and disabled persons was acquired by HDP from its original owner in 2003, when it was at risk of being converted into a higher-rent development. The acquisition will keep the apartments affordable for 55 years.



A \$646,000 rehabilitation, completed in December 2004, included energy-efficient windows and doors and a modernized community room and kitchen.

The three-story complex also features a community room and lushly landscaped grounds.

#### COURTYARD TERRACES

This 88-unit apartment complex was fully leased when it opened in May 2010 on 52nd Street, part of the continuing renaissance of City Heights. The \$24.5 million project was developed in partnership with Chelsea Investment Corp. for low-income seniors and disabled tenants.



Courtyard Terraces was designed with several energy-saving features for which it has received LEED Silver Certification. They include solar panels for electricity and to heat water, high-efficiency glass windows and patio doors, energy-saving appliances, low-flow plumbing and heavily insulated walls and ceilings.

The four-story complex also features a community room, courtyard patio and sun deck and secured underground parking. Affordable rents are preserved for 55 years.

#### STUDIO 15

Studio 15 is a 275-unit, mixed-use development at 15th Street and Imperial Avenue in the East Village. Its "living units" are designed for one resident – larger than a single-room occupancy unit, smaller than a studio apartment. The five-story complex, completed in 2008, has a computer room and rec center.



HDP was co-developer of the project with Affirmed Housing Group, which specializes in affordable rental housing. Studio 15 will remain affordable for 55 years.

#### ISLAND VILLAGE APARTMENTS

A mixed-use development with 280 units along Market Street in the East Village, Island Village was completed in September 2003. The studio apartments are targeted to low-income adults working downtown, and will remain affordable through 2060.

HDP is co-general partner in the development.

