SAN DIEGO HOUSING COMMISSION

SDHC

INFORMATIONAL REPORT

DATE ISSUED: May 16, 2012 **REPORT NO:** HAR12-026

ATTENTION: Members of the Housing Authority of the City of San Diego for the Agenda of June 19, 2012

SUBJECT: Real Estate Finance Plan Update as of March 2012

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING AUTHORITY

SUMMARY:

This report of the San Diego Housing Commission's Real Estate Acquisition Finance Plan ("Finance Plan") is presented to the Housing Authority of the City of San Diego ("Housing Authority") as a semi-annual update.

BACKGROUND:

In September 2007, the San Diego Housing Commission ("Housing Commission") received HUD approval to transition out of the Public Housing Program and to own and operate those same 1,366 units of rental housing. The approval included the allocation of Housing Choice Vouchers to each residence. The 1,366 units located on 150 sites were transferred to Housing Commission ownership on November 19, 2007. The units now owned by the Housing Commission must continue to be rented to low income households at rent levels affordable at no more than 50 percent of Area Median Income ("AMI") or at no more than 80 percent of AMI, depending on site location.

The Housing Commission was also obligated to leverage the equity in the 1,366 housing units to create a minimum of 350 additional affordable units to be rented at or below 80 percent AMI for a minimum of 55 years. On October 17, 2008, HUD further defined requirements for the production of additional affordable housing to identify acceptable scenarios under which equity proceeds may be utilized.

On March 24, 2009, the Housing Authority adopted the Real Estate Acquisitions Policy 300.103 which delegated authority to the Housing Commission to acquire units to achieve the goal of producing a minimum of 350 units as required by HUD. Under the new policy, the Housing Authority may ask to review any action of the Housing Commission within seven days of such Housing Commission action. This Policy also authorized the Housing Commission to obtain the financing necessary to carry out the acquisition and production of the new units.

In September 2009, the Housing Commission's Board of Commissioners approved the Finance Plan for the Acquisition of New Affordable Housing Units (HCR09-085) and it was thereafter approved in October 2009 by the Housing Authority (HAR09-030). The Housing Commission leveraged the equity in the 1,366 housing units through two financing sources: Fannie Mae financing closed in December 2009, and FHA funding closed in August 2010. The first real estate acquisition by the Housing Commission using these proceeds occurred in March 2010.

Since the October 2009 Housing Authority approval of the Finance Plan, the Housing Commission has presented an update on a semiannual basis on the status of the finance plan, investments made and any relevant information to the Finance Plan. This update covers the information from the last two quarters, Fiscal Year 2012 second and third quarter.

DEBT LEVERAGING:

The Finance Plan was created to structure and monitor the usage of equity from a portion of the Housing Commission's real estate portfolio for the purpose of acquiring more affordable housing. Of the 150 properties in the existing portfolio, the Housing Commission decided that the smaller properties (those with 4 or fewer units) should not be leveraged due to the costs associated with financing smaller properties when compared to the proceeds generated. There are 75 properties totaling 117 units in this pool and these properties were not leveraged and therefore remain debt-free.

A portion of the Housing Commission's larger properties (33 properties) were leveraged with three loans from Fannie Mae under the conventional multifamily loan program and generated $37,140,000 in loan proceeds. These loans closed in December 2009. Another portion of the Housing Commission's portfolio (42 properties) was leveraged under FHA's 223(f) program and these three loans closed in August 2010. FHA proceeds totaled $58,243,400.

The chart below summarizes the debt leveraging and the net proceeds available for acquisitions after loan fees, reserves and repairs:

Sources of Funds			
	FHA	Fannie Mae	Total
Loan Amount	$58,243,400	$37,140,000	$95,383,400
Loan Fees	(1,624,449)	(495,384)	(2,119,833)
Repair/Replacement Reserves	(2,284,016)	(625,557)	(2,909,573)
Net Loan Proceeds	**$54,334,935**	**$36,019,059**	**$90,353,994**

It was originally estimated that the portfolio would yield approximately $100,000,000 between the FHA and Fannie Mae refinancing. The final amount raised was $95,383,400 due primarily to the following two factors which ultimately resulted in a more conservative position for the Housing Commission:

1) Interest Rates:

Instead of using a ten-year loan term (which is possible under the Fannie Mae program and which would have resulted in an interest rate closer to six percent), the Housing Commission elected to go with a more conservative 30-year term which carried a 7.32 percent interest rate. With the fixed 30-year interest rate, although the interest rate is higher, the risk associated with having to refinance in ten years is eliminated.

2) Vacancy Rates:

Due to higher vacancy rates on the leveraged properties at the time, the lenders used 8.5 percent vacancy rate on the Fannie Mae loans and a 10.9 percent on the FHA loans. While this more conservative underwriting generated less loan proceeds, it also produced less debt for the Housing Commission to service. Since loan origination, vacancy rates have decreased and as of March 2012, Fannie Mae properties had a vacancy rate of 2.3 percent and FHA properties had a vacancy rate of 2.8 percent.

Debt Service:

The former public housing units that support the debt from the Finance Plan have performed above expectations compared to the approved September 2009 Finance Plan. The difference is primarily attributed to a lower vacancy rates versus projected. The monthly debt service amount is below the projected amount due to the lower amount borrowed.

Build America Bonds

Some proceeds from each of the Fannie Mae and FHA loan pools were structured so that they were eligible for the Build American Bonds ("BABs") program which provided a taxable financing structure to benefit municipalities under the American Recovery and Reinvestment Act of 2009. The BABs interest rebate program, offered by the Federal government and which is no longer offered, provided for a 35 percent interest rebate of the interest paid on debt used by a municipality to acquire affordable housing projects. Acquisitions with BABs-eligible funds could not contain a private entity in the ownership structure; therefore the Housing Commission could partner with another public agency only or acquire properties on its own. Proceeds from non-BABs qualified financing were used to acquire affordable housing properties in partnership with other developers.

The table below reflects the amount of BABs interest rebate received by the Housing Commission as well as an estimate for Fiscal Year 2012.

	FY 2010	FY 2011	FY 2012 (Estimated)
BABs Rebate Received	$122,946	$781,186	$840,976

NET BALANCE:
The table below reflects the actual Net Operating Income ("NOI") from the former Public Housing units minus the total debt service from the debt placed on the portfolio for a total Net Balance. A comparison is made between the approved figures in the Finance Plan and actual performance for the second and third quarter of Fiscal Year 2012.

Results for Fiscal Year 2012 second and third quarter were better than originally anticipated. This is primarily attributed to a higher NOI because of lower vacancy rates and a lower debt service amount than originally projected.

Debt Service - Approved vs. Actual

	FY 2012 Q2 (Oct 2011 – Dec 2011)	FY 2012 Q3 (Jan 2012 – March 2012)
Original Finance Plan (September 2009)		
NOI from former Public Housing units	$2,983,944	$2,983,944
Total Debt Service (estimated)	(2,030,166)	(2,039,307)
Net Balance (Approved Plan)	**$953,778**	**$944,637**
Actual		
NOI from former Public Housing units	$ 3,179,132	$3,403,212
Total Debt Service	(1,578,356)	(1,582,405)
Net Balance (Actual)	1,600,776	1,820,807

ACQUISITIONS:
With the equity leveraged from the former public housing, the Housing Commission has surpassed HUD's 350 unit requirement, acquiring (or committing) approximately 834 new units of affordable housing for a total of $80,982,327. These acquisitions include under-construction properties as well as the acquisition and rehabilitation of existing properties.

The table below outlines the different projects, number of affordable units, the total Housing Commission investment, and the investment per affordable unit for which the Housing Commission is a stakeholder.

Acquisitions			
Partnerships	**# of Affordable Units**	**Investment**	**Per Unit**
Riverwalk Apartments	49	$4,525,391	$92,355
Arbor Village Apartments	111	7,980,976	71,901
Vista Grande Apartments	48	3,851,025	80,230
Estrella del Mercado	91	7,111,224	78,145
Mission Apartments	84	6,027,000	71,750
Terramar Apartments	20	2,151,699	107,585
Sub-total	**403**	**$31,647,315**	**$78,529**
Publicly Owned			
Hotel Sandford	129	$6,460,700	$50,083
Mariner's Village Apartments	171	34,819,289	203,622
Courtyard Apartments	37	7,851,633	212,206
Hotel Churchill	94	203,390	2,164
Sub-total	**431**	**$49,335,012**	**$114,467**
Total Publicly Owned and Partnerships with Private Owners	**834**	**$80,982,327**	**$97,101**

The public/private partnership transactions all provide housing to extremely low, very low and low-income families and seniors. For these transactions, proceeds from the former-public housing portfolio were used to purchase the land at the close of escrow and included an option in year 15 for the Housing Commission to purchase the improvements at the greater of (i) the fair market value of the project or (ii) the sum of the limited partner project related tax liability, plus the principal and accrued interest on the Housing Commission loan, plus principal and accrued interest of the permanent loan (at the end of the tax credit compliance period). This option to purchase allowed for the units to count towards the Housing Commission's commitment to HUD of 350 units.

The publicly-owned transactions are part of the Housing Commission's portfolio where no interest is shared with other private developers and the assets (land and structures) are completely owned by the Housing Commission. These properties are considered to be income-generating properties for the Housing Commission since the properties are rented to families earning no more than 80 percent of the AMI in accordance with the Finance Plan. [Note: Hotel Sandford and Hotel Churchill are exceptions to this category since the rents are affordable to extremely low-income tenants.]

Remaining Funds:
Approximately $9,300,000 of uncommitted funds remain for a future acquisition:

Cash Totals	
	Dollar Amount
Sources:	
Total Loan Proceeds	$95,383,400
Uses:	
Financing Costs	2,119,833
Reserve Holdback	2,909,573
Project Commitments	80,982,327
Amount Available for Investment	**$9,371,667**

The amount available for investment is higher than the amount reported during the last report (HAR11-042). The increase was due to project cost savings and a change to the Capital Budget by the auditors in the Fall of 2011.

With a projected cost of $220,000 per unit for a publicly owned asset, the Housing Commission anticipates adding an additional 40 units of affordable housing with the remaining proceeds.

The Housing Commission is also analyzing the option to further leverage the recently acquired publicly owned assets (Courtyard Apartments and Mariner's Village) in accordance with the Finance Plan. If the decision is made to draw equity from the recently acquired assets, the Housing Commission will seek Housing Commission and Housing Authority approval.

Publicly Owned Investment Performance:
Publicly Owned properties have performed below the anticipated performance per the approved Finance Plan. The financial performance of the Wholly Owned assets is shown in the table below. The Net Operating Income ("NOI") of the newly acquired wholly owned assets experienced a decreasing trend during the second and third quarter of Fiscal Year 2012. This is due to the higher than anticipated vacancies at Mariner's Village.

Mariner's Village is generating less income than projected in the acquisition proforma due to the fact that relocation was required for sixty-six households due to over-income ineligibility. To date, fifty-eight households have been relocated and relocation of the final eight is expected to be completed by June 2012.

The Housing Commission's Property Management Department provided written notification to the management company, Hyder & Company ("Hyder"), that they must achieve a 95 percent occupancy rate by March 14, 2012, or the Housing Commission may terminate the contract. Housing Commission staff acknowledges Hyder's efforts and accomplishments over the prior two months and extended the timeframe with which Hyder has to improve the leasing activity and occupancy rates. Currently there are thirty five vacant units. If significant progress toward

95 percent occupancy is not maintained during the remainder of the contract period, the Housing Commission will solicit alternative property management via a Request for Proposals.

Net Operating Income ("NOI") From New Units						
	FY 2012 - Second Quarter (Oct 2012 – Dec 2012)			FY 2012 - Third Quarter (Jan 2012 – March 2011)		
	Oct-12	**Nov-12**	**Dec-12**	**Jan-12**	**Feb-12**	**Mar-12**
Original Finance Plan Approved (September 2009)	$142,202	$142,202	$142,202	$142,202	$142,202	$155,177
Actual	$143,626	$137,551	$126,254	$137,126	$143,136	$140,466

PROJECT SUMMARY:

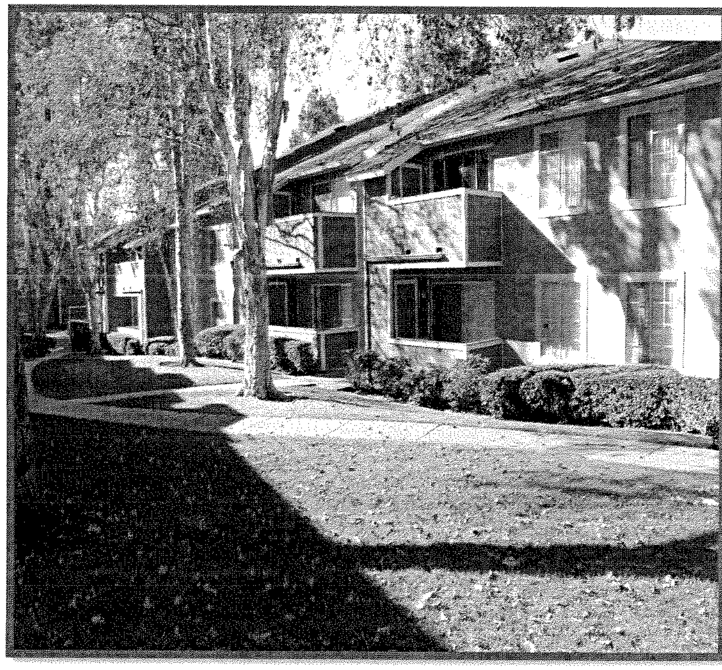
Each of the ten projects that are part of the Finance Plan for the Acquisition of New Affordable Housing Units to date are described below. Four properties were acquired by the Housing Commission without a private development partner and are identified as Publicly-Owned. These four properties are 172 units at Mariner's Village, 37 units at Courtyard Apartments, 130 units at Hotel Sandford, and 94 units at Hotel Churchill.

The Housing Commission partnered on six different projects with non-profit and for-profit real estate developers in the community. Through these partnerships, the Housing Commission has created 403 affordable housing units. Some of these units have already been completed and some are still under construction.

The information below highlights the operating performance and recent updates of these ten projects.

PUBLICLY-OWNED ACQUISITIONS

- Mariner's Village
- Courtyard Apartments
- Hotel Sandford
- Hotel Churchill



Mariner's Village

6847 Potomac Street
San Diego, CA 92139
Paradise Hills (Council District 4)

Details:

- Acquisition/Rehabilitation (Occupied)
- Completed: October 27, 2010
- 171 Affordable Units & 1 Manager Unit
- SDHC Investment: $34.8 million
- SDHC Cost Per Unit: $203,622
- Remains affordable for 55 years

Mariner's Village is generating less income than originally underwritten due to the fact that vacancies rose higher than expected during the rehabilitation and relocation phase of the project. During the due diligence phase, sixty-six households were identified to be relocated due to over-income ineligibility. To date, sixty-one of those households have been relocated and relocation of the final five is expected to be completed by June 2012. The higher-than-underwritten vacancy is attributed to the property management company, Hyder & Company ("Hyder") having difficulty in achieving an acceptable occupancy rate.

On February 1, 2012, the Housing Commission's Property Management Department provided written notification to Hyder stating that they must achieve a 95 percent occupancy rate by March 14, 2012 or the Housing Commission may terminate the contract. As of May 4, 2012, there were fourteen vacant units (8 percent vacancy); this vacancy number does not include the nine units that are being held vacant pending renovations per the Americans with Disabilities Act ("ADA"). The Housing Commission has the right to terminate the contract with Hyder and solicit an alternative property management company via a Request for Proposals. However, given the progress made to date and the knowledge Hyder has of the property and the community, it is not deemed advantageous to replace them at this time. Housing Commission staff will continue to actively oversee the continued lease-up of the property and if there is any reversal of Hyder's progress, will seek their replacement. Furthermore, the Housing Commission is modifying the compensation structure so that Hyder is paid based on occupancy rates versus a flat fee. Staff feels that this solution will have a positive outcome and considers oversight of this issue to be a property management priority.

Courtyard Apartments

4395 El Cajon Boulevard
San Diego, CA 92105
City Heights (Council District 3)

Details:

- Acquisition: Occupied
- Completed: September 9, 2010
- 37 Affordable Units
- SDHC Investment: $7.85 million
- SDHC Cost Per Unit: $212,206
- Remains affordable for 55 years

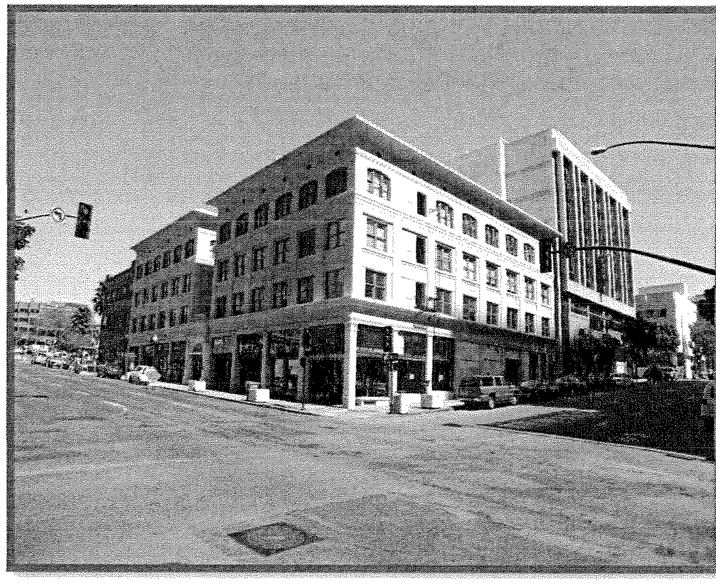
Actual operating income at Courtyard Apartments is slightly below budget. When Courtyard was underwritten, it was anticipated there would be a third-party tenant occupying the commercial ground floor space. At the time of the acquisition, the Housing Commission considered the possibility of having its Property Management staff occupy the commercial space, but that possibility proved to be infeasible due to the cost of tenant improvements after bid estimates were received.

Residential units were quickly leased soon after the purchase of the property by the San Diego Housing Commission. Since its acquisition, the property has experienced above average occupancy. As of May 4, 2012, two units were vacant but were pre-leased. It is anticipated that the property will reach 100 percent occupancy by the end of May 2012.

Housing Commission staff has continued to explore opportunities to lease the commercial space to a tenant that would be willing to provide its own tenant improvements, but as of the date of this report, efforts have not been successful. Staff intends to advertise via a Request for Proposals for an entity to lease the "empty shell" commercial space, with tenant improvements approved by the Housing Commission but constructed and paid for by the tenant. The rent would prorate the cost of the improvements during the term of the lease. Although the underwritten proforma rental income for the commercial space will not significantly impact the property's Net Operating Income ("NOI"), it remains a priority for Housing Commission staff to find a suitable tenant to lease the commercial space.

Hotel Sandford

1301-1333 Fifth Avenue
San Diego, CA 92101
Downtown (Council District 2)



Details:

- Acquisition/Rehabilitation (Occupied)
- To Be Completed: April 2012
- 129 Affordable Units and 1 Manager Unit
- Total Cost: $12.1 million
- SDHC Investment: $6.46 million
- SDHC Cost Per Unit: $50,083
- Partnership: CCDC
- Remains affordable for 99 years

As of May 4, 2012, twenty-three units were vacant (18 percent vacancy) at Hotel Sandford as a result of the recent rehabilitation and relocation process. During the rehabilitation, twenty-two units were used for relocation purposes per a revised relocation plan developed to decrease the duration of residential room construction. During the underwriting phase, staff in conjunction with CCDC established an operating reserve fund to be funded from operating income to offset future operating deficits. Due to the higher vacancies, this reserve has been underfunded compared to what was originally anticipated. In addition to the operating reserve fund, residential and retail lease-up reserve accounts were created to offset near term operating deficits throughout construction and stabilization of the property.

It is expected that the vacancy rate and operating income should normalize once rehabilitation work is completed and this is expected to occur by June 2012. To date, seven phases of the eight-phase rehabilitation project have been completed. There have been cost savings throughout the entire rehabilitation budget. Part of the cost savings has been utilized to add alternatives such as a computer room on the first floor, ADA unit upgrades, and new vanity cabinets. The building was restored to its historical colors and is in the final stages of rehabilitation.

Hotel Churchill

827 C Street
San Diego, CA 92101
Downtown (Council District 2)

Details:

- 94 Units
- SDHC Acquisition Cost: $203,390 ($2,164/unit)
- Foreclosure
- Historic
- TOD
- Uninhabitable – significant rehab needed

Following a court settlement, the Housing Commission became the owner of the Hotel Churchill and the adjacent lot. The Housing Commission accepted a Deed in Lieu of Foreclosure from J&J Properties, the former owner of the site. The settlement ended all litigation between the parties, including appeals by J&J Properties and a case in the San Diego Superior Court filed by the Housing Commission. The Housing Commission paid J&J Properties $200,000 to end all litigation, and took possession of the property on August 17, 2011.

When the Housing Commission took ownership of the property, the premises were in an unsafe and unsanitary stage. Housing Commission staff implemented a bio-hazard and remediation work plan, and removed and disposed of contaminated contents. The property is now safe to enter and has been secured; there is overnight security and the parking lot has been fenced.

The Housing Commission has advertised a Request for Qualifications/Proposals ("RFQ/P") for the selection of a developer to design and renovate the Hotel Churchill. The Housing Commission also advertised an RFP for a tax credit consultant and selected, Jahi Akobundu with Strategic Consulting Initiative. Housing Commission seeks to form a collaborative team to help determine the most viable rehabilitation alternative for the Hotel Churchill. Ultimate target use, occupancy, and completion date remain to be determined. Housing Commission staff will bring updates and requested actions to the Housing Commission Board and the Housing Authority of the City of San Diego for approval as deemed necessary per the Housing Commission's policies and regulations.

PUBLIC / PRIVATE INVESTMENTS

- Riverwalk Apartments
- Arbor Village Apartments
- Vista Grande Apartments
- Estrella del Mercado
- Mission Apartments
- Terramar Apartments

Riverwalk Apartments

1194 Hollister Street
San Diego, CA 92154
Otay Mesa/Nestor (Council District 8)

Details:

- **New Construction**
- **Completed: July 28, 2011 (Grand Opening)**
- **49 Affordable Units and 1 Manager Unit**
- **Total Cost: $14.1 million**
- **SDHC Investment: $4.53 million**
- **SDHC Cost Per Unit: $92,355**
- **Partnership: Affirmed Housing Group**
- **Remains affordable for 55 years**
- **SDHC option to buy property after 15-year tax credit compliance**

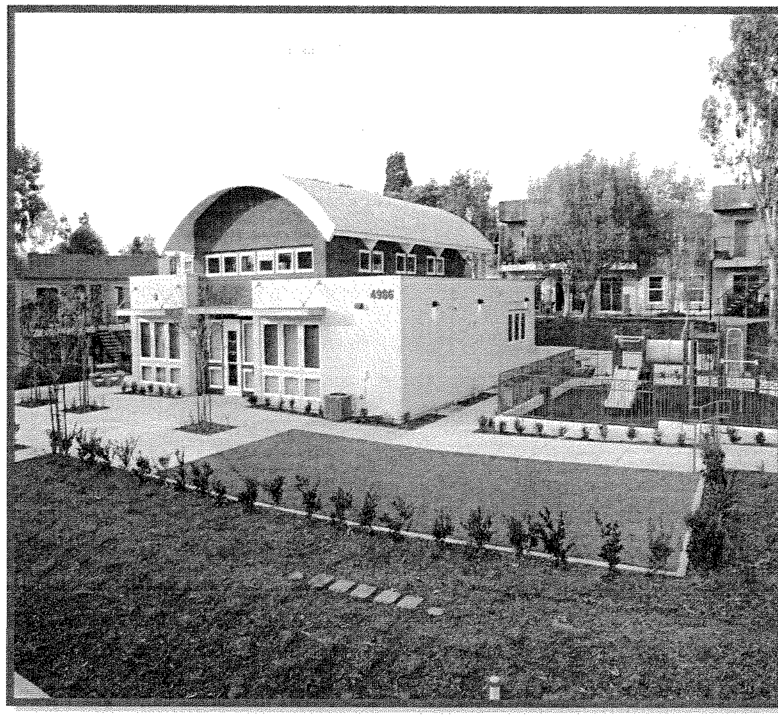
The Housing Commission partnered with Affirmed Housing Group to build Riverwalk, a 50-unit, energy- efficient affordable apartment complex in the Otay Mesa/Nestor community. The development also restored a portion of Nestor Creek to its natural state.
Households with combined annual incomes ranging from 30 to 60 percent of Area Median Income ("AMI"), or from $23,550 to $47,100 for a family of four are eligible to rent at Riverwalk Apartments. These units will remain affordable for 55 years. Housing Commission invested $4.47 million to acquire the land and provided a loan to the $14.1 million development.

Construction of the project was completed in July of 2011. The property leased up immediately. The property has been 100 percent occupied since construction completion, with the exception of December 2011 and January 2012 when there was one vacancy (98 percent occupancy). There has been almost no turnover. The property is operating at about $4,500 per unit per year, below the industry average of $5,000- $5,200 of expenses per unit per year. In addition, the project has observed energy cost savings as a direct result of the solar technologies installed during construction.

Currently, Riverwalk is in the process of converting its construction loan into a permanent loan. Housing Commission anticipates receiving the first ground lease payment and residual receipts payment in 2013, once the project is stabilized, per the underwriting pro forma.

Arbor Village Apartments

4914-4998 Logan Avenue
San Diego, CA 92113
Lincoln Park (Council District 4)



Details:

- **Acquisition/Rehabilitation (Occupied)**
- **Completed: January 19, 2011**
- **111 Affordable Units and 1 Manager Unit**
- **Total Cost: $24 million**
- **SDHC Investment: $7.98 million**
- **SDHC Cost Per Unit: $71,901**
- **Partnership: LINC Housing Corporation**
- **Remains affordable for 55 years**
- **SDHC option to buy property after 15-year tax credit compliance**

The Housing Commission partnered with nonprofit LINC Housing Corporation to acquire and renovate Arbor Village Apartments, a 112-unit complex in Lincoln Park.

Rents are affordable for individuals and families with combined annual incomes ranging from 30 to 60 percent of the AMI, or from $24,550 to $49,100 for a family of four. These units will remain affordable for 55 years.

Housing Commission invested $7.9 million to acquire the land and provided a loan for the $24 million development. Renovations included a new community building with a computer lab, laundry facilities, and a children's play area.

Rehabilitation of the project was completed in the Spring of 2011. The rehabilitation loan has been converted to a permanent loan. The property is operating at about $4,600 per unit per year, including taxes and insurance. Housing Commission does not anticipate receiving any ground lease payment and residual receipts payment before 2020, until the deferred developer fee is paid, per the underwriting pro forma.

Vista Grande Apartments

5391 and 5411-5425 Santa Margarita Street
San Diego, CA 92114
Encanto (Council District 4)

Details:

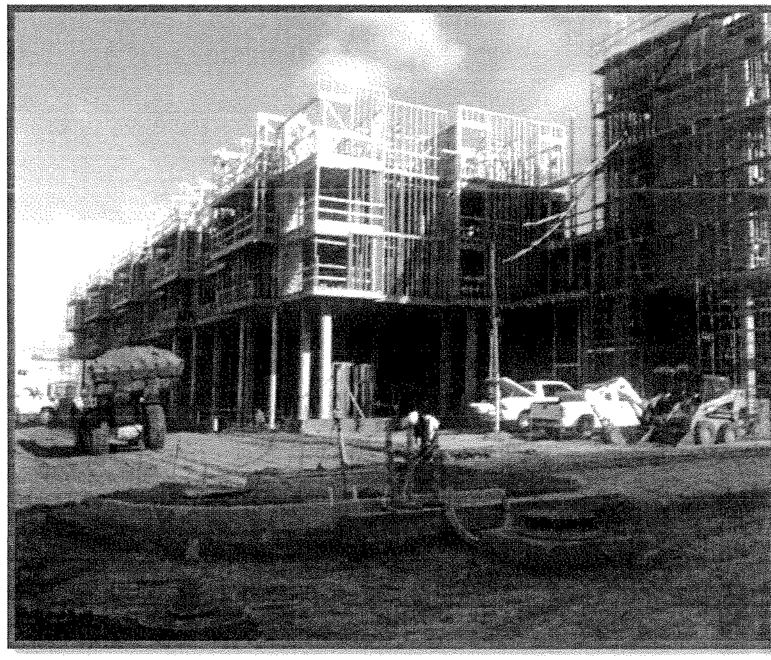
- **Acquisition/Rehabilitation (Occupied)**
- **Completed: September 29, 2011**
- **48 Affordable Units and 1 Manager Unit**
- **Total Cost: $15.1 million**
- **SDHC Investment: $3.85 million**
- **SDHC Cost per Unit: $80,230**
- **Partnership: Wakeland Housing & Development Corporation and SEDC**
- **Remains affordable for 55 years**
- **SDHC option to buy property after 15-year tax credit compliance**

The Housing Commission partnered with Wakeland Housing & Development Corporation and the Southeastern Economic Development Corporation to renovate Vista Grande, a 49-unit apartment complex on 3.1 acres in Encanto. The apartments are rented to families whose combined annual incomes range from 30 to 50 percent of AMI, or $24,550 to $40,950 for a family of four. These units will remain affordable for 55 years. Housing Commission invested $3.8 million to acquire the land and provided a loan for the $15.1 million development. Renovations included a 1,740 square-foot community center, the centerpiece of the affordable housing site.

Rehabilitation of the project was completed in the Spring of 2011. The rehabilitation loan has been converted to a permanent loan. The average vacancy from June 2011 thru December 2011 was 2.3 percent. Most recently, vacancy for the month of February 2012 was 0.8 percent. The property is operating at about $6,100 per unit per year, including taxes, insurance and monthly resident services expenses. Wakeland Housing reports that the greatest savings generated by the renovation were in water and sewer. Expenses in these areas decreased by approximately 60 percent from 2010 – 2011, thanks to the installation of efficient irrigation systems, native landscaping and the use of water saving features such as dual flush toilets, and low flow faucets and shower heads. Housing Commission does not anticipate receiving any ground lease payment and residual receipts payment before 2020, until the deferred developer fee is paid, per the underwriting pro forma.

Estrella del Mercado

San Diego, CA 92113
Barrio Logan (Council District 8)



Details:

- New Construction
- To Be Completed: September 2012
- 91 Affordable Units and 1 Manager Unit
- Total Cost: $43 million
- SDHC Investment: $7.11 million
- SDHC Cost Per Unit: $78,145
- Partnership: Chelsea Investment Corporation and the City of San Diego Redevelopment Agency
- Remains affordable for 99 years
- SDHC option to buy property after 15-year tax credit compliance

The Housing Commission partnered with the City of San Diego Redevelopment Agency and Chelsea Investment Corporation to build the 92-unit Estrella del Mercado Apartments in Barrio Logan. The apartments will be affordable for extremely low and very low-income households whose annual incomes range from 30 to 60 percent of AMI, or $24,550 to $49,140 for a family of four. These units will remain affordable for 99 years.

The apartments are part of a 6.8 acre, 311,000 square foot, transit-oriented, mixed-use development that will include the community's first major grocery store. The Housing Commission invested $7 million to acquire the land and provided a loan for the $43 million apartment development.

Construction is underway. The concrete platform that will house the retail tenants and four residential studio units has been completed as well as the concrete parking structure. Framing of the residential units is well underway. General Contractor reports to be about five weeks ahead of schedule, primarily due to the favorable weather conditions (lack of rain). Completion of the project is expected in the Fall of 2012. To date, Chelsea has drawn down all of the Housing Commission funds aside from a 10 percent retention payment due at construction completion.

Mission Apartments

1815-1875 Hancock Street
San Diego, CA 92110
Midway (Council District 2)

Details:

- **New Construction**
- **To Be Completed: August 2012**
- **84 Affordable Units and 1 Manager Unit**
- **Total Cost: $25.9 million**
- **SDHC Investment: $6.03 million**
- **SDHC Cost Per Unit: $71,750**
- **Partnership: AMCAL Multi-Housing, Inc., and the City of San Diego Redevelopment Agency**
- **Remains affordable for 55 years**
- **SDHC option to buy property after 15-year tax credit compliance**

The Housing Commission partnered with the City of San Diego Redevelopment Agency and AMCAL Multi-Housing to build Mission Apartments, an 85- unit, energy-efficient affordable complex. The property is located in the Midway district adjacent to the Washington Street trolley station.

The rental units will be affordable for low and very-low income families with a combined annual income no greater than 60 percent of AMI. These units will remain affordable for 55 years. Housing Commission invested $6 million to acquire the land and provided a loan for the $25.9 million development.

Construction is well underway with no major problems. The estimated completion date is August 2012. To date, AMCAL has drawn down all of the Housing Commission funds aside from a retention payment due at construction completion.

Terramar Apartments

13481 -13483 Silver Ivy Lane
San Diego, CA 92129
Torrey Highlands (Council District 1)

Details:

- New Construction
- To Be Completed: March 2012
- 20 Affordable Units and 1 Manager Unit
- Total Cost: $7.6 million
- SDHC Investment: $2.15 million
- SDHC Cost Per Unit: $107,585
- Partnership: Chelsea Investment Corp.
- Remains affordable for 55 years
- SDHC option to buy property after 15-year tax credit compliance

The Housing Commission partnered with Chelsea Investment Corporation to build Terramar, a 21-unit energy-efficient, affordable apartment complex located in the Torrey Highlands neighborhood. Adjacent to Westview High School, the development includes a tot lot and a recreation area with barbeques and shaded picnic tables.

The units will be affordable for very low-income families with an annual income no greater than 60 percent of AMI. These units will remain affordable for 65 years.

Housing Commission acquired the land for $100 from Pardee Homes and provided a $2 million loan for the $7.6 million development.

Construction was complete by mid-March, and residents moved into the three buildings on March 15, 2012, a few months ahead of schedule than originally anticipated. The project is currently 100 percent leased and occupied. Chelsea completed the project within budget and ahead of schedule.

CONCLUSION:

The Finance Plan for the Acquisition of New Affordable Housing Units has now been in place for approximately two and a half years. To date, the Housing Commission has either acquired or provided a loan to ten different projects, totaling 834 affordable housing units. With approximately $9,300,000 of funds remaining, the Housing Commission will continue creating affordable housing units in the City, with the possibility of additional equity from the refinance of newly acquired assets (subject to Housing Commission and Housing Authority approval) for further creation of affordable housing within the next few years.

Upon continued performance of the real estate operations of the public/private acquisitions, as well as the publicly owned assets, the Housing Commission will continue bringing forth acquisition opportunities for approval that further enhance the goals of the Housing Commission and provide housing opportunities to the residents of San Diego.

Respectfully submitted,	Approved by,
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