

REPORT TO THE HOUSING AUTHORITY

DATE ISSUED: June 11, 2009

REPORT NO: HAR 09-028

ATTENTION: Members of the Housing Authority
For the Agenda of July 21, 2009

SUBJECT: Actions Related to the Issuance of Revenue Bonds Secured by Properties
Transferred from HUD

REFERENCE:

REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds payable from and secured in whole or in part by some or all of 1366 rental housing units (the "Existing Units") located throughout the City and previously transferred to the Housing Commission by the Housing Authority, with the approval of the U.S. Department of Housing and Urban Development (HUD). Proceeds of the financing would be used to acquire and develop rental properties to satisfy the Housing Commission's obligations to the Housing Authority and HUD to acquire or construct not less than 350 additional units (the "New Units") of affordable rental housing.

STAFF RECOMMENDATION:

- A. Housing Authority approve a bond inducement resolution (a declaration of official intent) for up to \$200 million in taxable and/or tax-exempt rental housing revenue bonds secured by some or all of the Existing Units, with proceeds to be applied to pay costs of the New Units.
- B. Authorize the President and Chief Executive Officer (CEO) of the Housing Commission, or a designee, to execute necessary documents.

SUMMARY:

The Financing

The Existing Units consist of 1366 units located throughout the City, made up of 68 parcels with one to four units and 70 parcels with five to 243 units. The units can be classified into three primary groups: four properties with 429 units total; 65 properties of greater than 5 units each (791 units total), and 69 in 1-4 unit buildings (146 units total). The Commission owns the Existing Units outright and substantially unencumbered. The Commission believes, based on advice from its financial advisor, that borrowing against the revenue stream of the Existing Units in one or more tranches will raise approximately \$75 million of proceeds that can be applied to the acquisition and development of the New Units.

The Commission intends to utilize bonds issued by the Housing Authority to fund the New Units. The Bonds will be payable primarily from revenues of the Existing Units and secured by deeds of trust recorded against the Existing Units. The Commission could also choose to pledge some or all of the New Units to the Bonds as needed. The Bonds will additionally be secured by credit enhancement from

June 11, 2009

Preliminary Bond Items for Housing Commission Owned Properties

Page 2

Fannie Mae, Freddie Mac, FHA (in the form of a GNMA mortgage-backed security) or some other provider or may be privately placed with institutional or other accredited investors.

The Housing Authority expects to issue tax-exempt bonds and/or to take advantage of the Build America Bonds opportunity presented by the American Recovery and Reinvestment Act of 2009 (also known as the Stimulus Bill). Build America Bonds are a new type of bond available to governmental issuers in which interest on the bonds is taxable – most governmental bonds pay tax-exempt interest – but the issuer of the bond receives a direct subsidy payment from the federal government in the amount of 35% of the interest paid on each interest payment date. The State of California recently issued several billion dollars of Build America Bonds to fund a variety of infrastructure and other costs. Market participants generally believe that the 35% direct subsidy payment is worth more to issuers than the lost tax-exemption on the bonds, so eligible issuers are making use of Build America Bonds when it is to their advantage. Because the Housing Authority and Commission are governmental entities and the Commission intends to own and operate all of the New Units, the Housing Authority is eligible to issue Build America Bonds for this purpose. Build America Bonds must be issued no later than December 31, 2011.

Housing Affordability

The 1,366 units will have various levels of rent and income restrictions. State Health and Safety Code requires that at least 10% of the units to be restricted at 80% of Area Median Income (AMI) and another 10% of the units at 50% AMI.

Selection of the Financing Team Members

Staff recommends assigning Orrick, Herrington & Sutcliffe LLP as bond counsel to work on the project. Orrick Herrington has been selected in accordance with the existing policy for the issuance of bonds.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested actions. Approval of the bond inducement resolutions do not commit the Housing Authority to issue bonds. The bonds would not constitute a debt of the City of San Diego. If bonds are ultimately issued for the project, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to the specific real estate encumbered. 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 Housing Commission is responsible for the payment of all costs under the financing.

PREVIOUS ACTION:

On November 18, 2008, the Housing Authority approved the Commission's plan regarding the public housing disposition and the creation of at least 350 additional units of affordable housing.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

All existing residents of Housing Commission owned units were notified regarding the restructuring of the Housing Commission's public housing portfolio.

June 11, 2009

Preliminary Bond Items for Housing Commission Owned Properties

Page 3

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The Housing Commission is the key stakeholder. Other stakeholders include bond investors, residents of the City of San Diego in need of affordable housing; owners of property that will be acquired by the Housing Commission, real estate service companies involved in the various purchase transactions, such as real estate brokers and title companies.

ENVIRONMENTAL REVIEW:

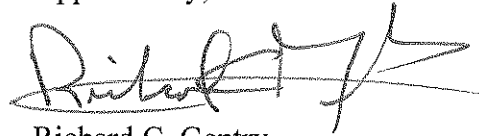
This proposed activity is not a project pursuant to the California Environment Quality Act (CEQA); therefore no CEQA environmental review is required. This activity is exempt from the National Environmental Policy Act (NEPA) pursuant to 58.34(a)(3).

Respectfully submitted,



D. Lawrence Clemens
Senior Vice President of Real Estate

Approved by,



Richard C. Gentry
President & Chief Executive Officer

Attachments: 1. Addresses of existing 1,366 Housing Commission Units

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101. You may review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1
List of Housing Commission Owned Properties

| Address | Zip Code | No. Units | |
|--------------------------------|--------------------|-----------|-----|
| 3501 | 1ST AVENUE | 92103 | 22 |
| 2932 | 30TH STREET | 92104 | 5 |
| 3012 | 30TH STREET | 92104 | 5 |
| 3030 | 30TH STREET | 92104 | 5 |
| 3217 | 30TH STREET | 92104 | 5 |
| 4729 | 32ND STREET | 92116 | 5 |
| 4541 #1 - 8 | 33RD STREET | 92116 | 8 |
| 4632 | 33RD STREET | 92116 | 5 |
| 4751 | 33RD STREET | 92116 | 8 |
| 4720 - 4722 | 34TH STREET | 92116 | 3 |
| 4756 - 4758 | 35TH STREET | 92116 | 4 |
| 4254 | 36TH STREET | 92104 | 5 |
| 4164 #1 - 8 | 37TH STREET | 92105 | 8 |
| 4343 | 38TH STREET | 92105 | 5 |
| 4575 - 4579 | 38TH STREET | 92116 | 8 |
| 3010 #A - B | 39TH STREET | 92105 | 2 |
| 3617 - 3619 | 42ND STREET | 92105 | 4 |
| 2628 - 2630 | 44TH STREET | 92105 | 8 |
| 2716 - 2718 | 44TH STREET | 92105 | 4 |
| 2734 - 2736 | 44TH STREET | 92105 | 4 |
| 4225 | 44TH STREET | 92115 | 6 |
| 4261 | 45TH STREET | 92115 | 6 |
| 4078 #A - D | 47TH STREET | 92105 | 4 |
| 4286 - 4292 | 48TH STREET | 92115 | 4 |
| 4566 | 51ST STREET | 92115 | 5 |
| 3051 | 54TH STREET | 92105 | 7 |
| 3280 | A STREET | 92102 | 2 |
| 3755 - 3761 | ALABAMA STREET | 92104 | 8 |
| 2005 - 2065 | ALAQUINAS DRIVE | 92173 | 66 |
| 4164 | ALTADENA AVENUE | 92105 | 6 |
| 4207 - 4209 | ALTADENA AVENUE | 92115 | 2 |
| 4479 - 4481 | ALTADENA AVENUE | 92115 | 8 |
| 4560 | ALTADENA AVENUE | 92115 | 8 |
| 4123 | AREY DRIVE | 92154 | 1 |
| 4080 | ARIZONA STREET | 92104 | 4 |
| 121-125 | AVERIL ROAD | 92173 | 14 |
| 3974 - 3984 | BANCROFT STREET | 92104 | 14 |
| 7705 - 7795 | BELDEN STREET | 92111 | 243 |
| 2955 | BOSTON AVENUE | 92113 | 5 |
| 178 - 190 | CALLE PRIMERA | 92173 | 70 |
| 2766 | CARDINAL ROAD | 92123 | 2 |
| 4147 - 4157 | CHAMOUNE AVENUE | 92105 | 6 |
| 3850 | CHEROKEE AVENUE | 92104 | 5 |
| 4054 - 4060 1/2 | CHEROKEE AVENUE | 92104 | 8 |
| 4360 | CHEROKEE AVENUE | 92104 | 5 |
| 4314 | DARWIN WAY | 92154 | 1 |
| 2326 - 2332 | E. JEWETT STREET | 92111 | 4 |
| 7105 - 7120 | EASTMAN STREET | 92111 | 36 |
| 4334 | EBERSOLE DRIVE | 92154 | 1 |
| 12643 - 12687 | EL CAMINO REAL | 92130 | 45 |
| 4181 | ENERO STREET | 92154 | 1 |
| 2477 - 2477 1/2 2479 - 2481 | FAIRMOUNT AVENUE | 92105 | 4 |
| 2701 - 2711 | FIGUEROA BOULEVARD | 92109 | 6 |
| 4081 - 4087 1/2 | FLORIDA STREET | 92104 | 8 |
| 7526 - 7580 | FULTON STREET | 92111 | 31 |
| 2615 - 2665 | GENESEE AVENUE | 92123 | 11 |
| 4450 - 4456 1/2 | GEORGIA STREET | 92116 | 8 |

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| Address | | Zip Code | No. Units | |
|-----------------|-------------|---------------------|-----------|----|
| 8637 - 8643 | | GLENHAVEN STREET | 92123 | 4 |
| 8649 - 8655 | | GLENHAVEN STREET | 92123 | 4 |
| 8661 - 8667 | | GLENHAVEN STREET | 92123 | 4 |
| 8701 - 8707 | | GLENHAVEN STREET | 92123 | 4 |
| 7891 - 7899 | | GOLFCREST DRIVE | 92119 | 9 |
| 2045 - 2049 | | GRAND AVENUE | 92109 | 6 |
| 3350 - 3356 1/2 | | GRIM AVENUE | 92104 | 8 |
| 2381 - 2389 | | GROVE AVENUE | 92154 | 41 |
| 4637 - 4643 1/2 | | HAMILTON STREET | 92116 | 8 |
| 3081 - 3083 | | HAWTHORN STREET | 92104 | 4 |
| 4416 #1 - 8 | | HIGHLAND AVENUE | 92115 | 8 |
| 1351 - 1359 | | HOLLISTER STREET | 92154 | 20 |
| 2644 | | HORNBLEND STREET | 92109 | 5 |
| 8714 - 8720 | | HURLBUT STREET | 92123 | 4 |
| 8726 - 8732 | | HURLBUT STREET | 92123 | 4 |
| 1170 | | ILEXEY AVENUE | 92154 | 1 |
| 1366 | | ILEXEY AVENUE | 92154 | 1 |
| 3125 | | IVY STREET | 92104 | 5 |
| 4205 - 4215 | | JUNIPER STREET | 92105 | 20 |
| 4273 - 4283 | | JUNIPER STREET | 92105 | 24 |
| 4230 | | KIMSUE WAY | 92154 | 1 |
| 1255 | | KOSTNER DRIVE | 92154 | 1 |
| 4259 | | LAYLA COURT | 92154 | 1 |
| 4276 | | LAYLA COURT | 92154 | 1 |
| 4256 | | LAYLA WAY | 92154 | 1 |
| 4269 | | LAYLA WAY | 92154 | 1 |
| 4274 | | LAYLA WAY | 92154 | 1 |
| 7085 - 7095 | | LEVANT STREET | 92111 | 14 |
| 4381 - 4387 | | LOUISIANA STREET | 92104 | 8 |
| 4390 | | MAPLE STREET | 92105 | 6 |
| 4339 | | MARCIA COURT | 92154 | 1 |
| 4074 | | MARCWADE DRIVE | 92154 | 1 |
| 4150 | | MARCWADE DRIVE | 92154 | 1 |
| 4186 | | MARCWADE DRIVE | 92154 | 1 |
| 4293 | | MARCWADE DRIVE | 92154 | 1 |
| 4239 | | MARGE WAY | 92154 | 1 |
| 4331 | | MARGE WAY | 92154 | 1 |
| 4334 | | MARGE WAY | 92154 | 1 |
| 4451 - 4459 | | MARKET STREET | 92102 | 20 |
| 4131 | | MARYLAND STREET | 92103 | 24 |
| 2727 - 2729 | 2739 - 2745 | MEADE AVENUE | 92116 | 6 |
| 5316 | | MEADE AVENUE | 92115 | 30 |
| 8792 | | MIRA MESA BOULEVARD | 92126 | 5 |
| 8816 | | MIRA MESA BOULEVARD | 92126 | 5 |
| 5071 - 5077 1/2 | | MUIR AVENUE | 92107 | 8 |
| 4890 | | NAPLES STREET | 92110 | 4 |
| 1152 | | NEVIN STREET | 92154 | 1 |
| 8505 | | NOELINE AVENUE | 92114 | 1 |
| 4050 - 4056 | | OAKCREST DRIVE | 92105 | 4 |
| 5974 | | OLD MEMORY LANE | 92114 | 1 |
| 4352 #1 - 8 | | OREGON STREET | 92104 | 8 |
| 4034 | | PETERLYNN COURT | 92154 | 1 |
| 1232 | | PETERLYNN DRIVE | 92154 | 1 |
| 1327 | | PETERLYNN DRIVE | 92154 | 1 |
| 1405 | | PETERLYNN DRIVE | 92154 | 1 |
| 1506 | | PETERLYNN DRIVE | 92154 | 1 |

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| Address | | Zip Code | No. Units |
|-----------------|-----------------------|----------|-----------|
| 1530 | PETERLYNN DRIVE | 92154 | 1 |
| 4024 | PETERLYNN WAY | 92154 | 1 |
| 4180 - 4182 | POPLAR STREET | 92105 | 9 |
| 4055 - 4083 | PULITZER PLACE | 92122 | 50 |
| 2325 | RACHEL AVENUE | 92139 | 3 |
| 1128 | RANSOM STREET | 92154 | 1 |
| 1145 | RANSOM STREET | 92154 | 1 |
| 1169 | RANSOM STREET | 92154 | 1 |
| 5326 - 5328 | REX AVENUE | 92105 | 4 |
| 5330 - 5332 1/2 | REX AVENUE | 92105 | 4 |
| 5359 - 5389 | SANTA MARGARITA | 92114 | 32 |
| 7281 - 7289 | SARANAC STREET | 92115 | 7 |
| 5955 #1 - 4 | STREAMVIEW DRIVE | 92105 | 4 |
| 4233 | STU COURT | 92154 | 1 |
| 3755 - 3757 | SWIFT AVENUE | 92104 | 4 |
| 281 - 289 | SYCAMORE ROAD (NORTH) | 92173 | 24 |
| 391 - 417 | SYCAMORE ROAD (WEST) | 92173 | 41 |
| 402 - 412 | SYCAMORE ROAD (EAST) | 92173 | 24 |
| 6511 - 6517 | TAIT STREET | 92111 | 4 |
| 1041 | TWINING AVENUE | 92154 | 1 |
| 1144 | TWINING AVENUE | 92154 | 1 |
| 1250 | TWINING AVENUE | 92154 | 1 |
| 1317 | TWINING AVENUE | 92154 | 1 |
| 3630 - 3632 | VAN DYKE AVENUE | 92105 | 4 |
| 4043 | WILSON AVENUE | 92104 | 5 |

1,366