

REPORT

DATE ISSUED: August 3, 2009 REPORT NO: HCR 09-54  
ATTENTION: Chair and Members of the Housing Commission  
For the Agenda of August 21, 2009  
SUBJECT: Final Bond Authorization for Village Green Apartments (Council District 7)

REQUESTED ACTION:

Take the final step to authorize the issuance of Housing Authority multifamily housing revenue bonds to fund the acquisition and rehabilitation of the Village Green Apartments.

STAFF RECOMMENDATION:

Recommend that the Housing Authority authorize the issuance of up to \$9,664,172 in multifamily housing revenue bonds to fund the acquisition and rehabilitation of the 94-unit Village Green Apartments, located at 4140-4155 Bonillo Drive, by Wakeland Village Green Apartments, L.P.

BACKGROUND:

The Project

Village Green is an existing 94-unit housing development located at 4140-4155 Bonillo Drive in the Rolando neighborhood. The project was built in 1967 and consists of 13 two-story wood frame and stucco buildings on approximately 7 acres. Village Green contains 80 two-bedroom units, 14 three-bedroom units, and 125 on-site parking spaces. Amenities include upgraded laundry facilities, a remodeled and enlarged community room with solar power, and an improved playground area. One unit will be converted to a Manager's office with a business center for resident use. See Attachment 1 for a location map.

Other physical improvements will include landscaping, site drainage, walkway repairs, kitchen and bathroom remodeling, roofing, energy efficient door and window replacements, floor coverings, interior and exterior painting, water-efficient plumbing fixtures, retrofitting of 5 percent of the units for accessibility, an additional 5 percent retrofitted for sight and hearing impairments, and enhanced security systems based on input from the Police Department.

Upon completion of rehabilitation, Village Green will provide 78 two-bedroom apartments, 14 three-bedroom apartments, 1 two-bedroom manager's unit, and 1 resident manager's office that will also serve as a business center for residents. Ninety-two units would be occupancy and rent restricted for 55 years by a Housing Authority regulatory agreement recorded against the property. Wakeland is expected to work with the residents of Village Green Apartments to tailor a package of tenant services that may include such activities as computer training, financial fitness classes, homeownership education, and after-school programs.

A relocation plan was completed in July 2008. Based on preliminary responses, 23 households are over-income and will need to be permanently relocated. Actual income data will be obtained by the developer at acquisition to verify how many households require relocation. Any vacancies that occur are expected to be filled quickly due to the high demand for affordable rental housing in this community.

Affordable Housing Impact

Village Green will provide 93 total units with 92 affordable rental units for occupancy by, and rents affordable to, low and very-low income households: ten units will be restricted at 50% Area Median Income (AMI) (currently \$37,150 for a household of three) and 82 units will be restricted at 60% AMI (currently \$44,580 for a household of three). In addition, 1 two-bedroom unit will be reserved for an on-site resident manager and will not be rent or occupancy-restricted.

The project is receiving Redevelopment Agency financing and is therefore subject to California Redevelopment Law (CRL). CRL requires a rent calculation methodology based on California Health & Safety Code which is different than the Housing Commission’s standard HUD-based rent calculation methodology.

Initial rent and income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (net of utility allowance)*	Market Rate	Monthly Savings per unit
Two Bedroom	50% AMI	8	\$794*	\$1,250	\$456
Two Bedroom	60% AMI	20	\$1,067	\$1,475	\$408
Two Bedroom	60% AMI	50	\$947*	\$1,475	\$528
Three Bedroom	50% AMI	2	\$878*	\$1,250	\$372
Three Bedroom	60% AMI	12	\$1,280	\$1,475	\$195
Two-Br Mgr Unit		1			
<b>Total</b>		<b>93</b>			<b>\$41,292</b>
<b>Total Annual Savings</b>					<b>\$495,504</b>

\*Rents shown have been reduced further to comply with California Redevelopment Law requirements.

Development Team

Wakeland, a 501(c)(3) non-profit housing developer, will be responsible for the construction and development of the project. Wakeland currently has over 5,500 units of affordable housing in its portfolio. The Housing Commission has worked with Wakeland on several successful projects. Recently completed projects include the 60-unit Beyer Courtyard Apartments in San Ysidro and Lillian Place, a 74-unit project located in downtown San Diego. Wakeland currently is developing the 77-unit Parkside Terrace development located at 505 13<sup>th</sup> Street in downtown; construction will be completed in late 2009. Wakeland is in compliance with all previous Housing Commission loans and bond issuances. Wakeland’s statement for public disclosure is included as Attachment 2.

The ownership entity would be Wakeland Village Green Apartments, LP, a California limited partnership consisting of 1) Wakeland Village Green, LLC, as the Managing General Partner (an affiliated limited liability corporation formed by Wakeland), and 2) a tax credit investor limited partner (Wakeland is currently finalizing a Letter of Intent with Union Bank as the tax credit investor).

Financing Structure

The total development cost of the project is estimated to be approximately \$19.7 million. Proposed permanent financing sources would consist of housing revenue bonds, tax credit equity, solar tax credits,

loans from the Housing Commission and Redevelopment Agency of the City of San Diego, deferred payment of debt, and a deferred developer fee.

The bonds will be issued as two series of unrated bonds: Series A Bonds in the anticipated amount of approximately \$6,551,000 and Series B Bonds in the anticipated amount of approximately \$3,081,000. The Bonds will finance a portion of the acquisition/rehabilitation costs of the Project. Following the completion of rehabilitation and lease-up, it is anticipated that the Series B Bonds will be paid off, resulting in a permanent bond amount of approximately \$6,551,000.

Permanent sources of funding are summarized in the following table:

<b>Proposed Permanent Financing Sources</b>	
Housing Revenue Bonds	\$6,551,000
Low Income Housing Tax Credits	\$4,437,000
Redevelopment Agency Loan	\$5,788,000
Housing Commission Loan	\$2,165,000
Deferred Developer Fee & Project Income	\$529,000
Deferred Payment of Debt	\$188,000
Solar Tax Credits	\$88,000
<b>Total</b>	<b>\$19,746,000</b>

Public Disclosure and Bond Authorization

The bonds will be sold through a private placement, purchased directly by U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, it will sign an “Investor’s Letter” certifying, among other things, that it is buying the Bonds for its own account and not for public distribution. Because the bonds are being sold through a private placement, an Official Statement will not be used. In addition, the bonds will not be subject to continuing disclosure requirements nor will they be credit enhanced or rated. When bonds are issued through a public offering, a third party trustee administers bond proceeds, collects project loan payments, makes bond debt service payments, and protects the interest of bondholders. Under the private placement structure for this transaction, U.S. Bank will act as both the bondowner’s representative (in lieu of a trustee) and as the bondholder/lender.

The transfer of the bonds by U.S. Bank or any subsequent bondholder will be restricted to transferees who would purchase all of the bonds (to maintain ownership by a single bondholder), and who would represent to the Authority that they are qualified institutional buyers who are buying the bonds for investment purposes and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds.

The following documents will be executed on behalf of the Housing Authority: Indenture, Loan Agreement, Assignment of Deed of Trust and Other Loan Documents, and Regulatory Agreement. At the time of docketing, all bond documents in substantially final form will be presented to members of the

Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's office and bond counsel.

The bonds will be issued pursuant to an Indenture between the Housing Authority and U.S. Bank (acting as the bondowner representative). Based upon instructions contained in Indenture, the bondowner representative will disburse bond proceeds for eligible costs, collect project revenues and make payments to bondholders.

Under the terms of the Loan Agreement, the Housing Authority will loan the proceeds of the bonds to the borrower in order to develop the project. The Loan Agreement sets out the terms of repayment and the security for the loan, and the Housing Authority assigns its rights to receive repayments under the loan to the bondowner representative.

An Assignment of Deed of Trust and Other Loan Documents, which assigns the Housing Authority's rights and responsibilities as the bond issuer to U.S. Bank, is signed by the Housing Authority and U.S. Bank. Rights and responsibilities that are assigned to U.S. Bank include the right to collect and enforce the collection of loan payments, monitor project construction and related budgets, and enforce insurance and other requirements. These rights will be used by U.S. Bank as bondowner representative to protect its financial interests as the bondholder.

The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws.

Since the bonds will not be repaid using any City or Housing Authority revenues, it is not appropriate to provide any information about the City's finances. For a summary of the Housing Commission's Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize bond financings, please see Attachment 3.

Staff has been working with Ross Financial, the Housing Commission's Financial Advisor, to perform due diligence concerning the proposed financing and to formulate a recommendation for the Housing Authority. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the bond issuance for the project be authorized assuming a tax credit investor commits to the transaction. The Financial Advisor's analysis and recommendation to proceed is included as Attachment 4.

Staff is also working with the City's Disclosure Practices Working Group to assure that the issuance of Housing Authority bonds is in conformance with the City's disclosure requirements.

#### FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested action. The bonds will not constitute a debt of the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds; security for repayment of the bonds will be limited to the value of the property and its revenue sources. All costs of the financing, including compensation for staff efforts in preparing the bonds, will

be borne by the project owner. The Housing Commission's origination fee under the financing will be approximately \$22,154 (0.23 percent of the expected bond amount).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On October 7, 2008, the Housing Authority and City Council approved preliminary bond items for the project, and on October 7, 2008, the Housing Authority approved a Housing Commission loan in the amount of \$2,165,067.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On July 8, 2008, the proposed development was approved by the Eastern Area Communities Planning Committee by a vote of 6-2 with one abstention. On August 12, 2008, the proposed development was re-reviewed (due to projected relocation in excess of 20%) and approved by EACPC by a vote of 6-2 with two abstentions.

The development was presented to the Crossroads Redevelopment Area Planning Area Committee (CPAC) on July 31, 2008. The RDA requested approval of an Owner Participation Agreement (OPA) with the developer. The request failed by a vote of four opposed and three in favor of the action. The CPAC requested that the OPA action be brought back to the August 28, 2008 meeting with specific project information regarding relocation, property tax implications and tax credit requirements. The OPA was approved by a vote of 8-4-1 at that meeting.

ENVIRONMENTAL REVIEW:

The City of San Diego determined on September 25, 2008 that this project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA guidelines Section 15301 (existing facilities). The City of San Diego also determined this project to be Categorically Excluded pursuant to the National Environmental Policy Act (NEPA) Section 58.35(a) (3) (ii) on September 25, 2008.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The seller is the Odom Family Trust. Stakeholders include Wakeland Housing and Development Corporation as the nonprofit developer and the Community of Rolando which will increase its supply of affordable housing for its low-income residents. There will be a potential relocation of 23 over-income households. The number of relocations will not be confirmed until after acquisition by the developer.

Respectfully submitted,



D. Lawrence Clemens  
Senior Vice President, Real Estate

Approved by,



Carrol M. Vaughan  
Executive Vice President & Chief  
Operating Officer

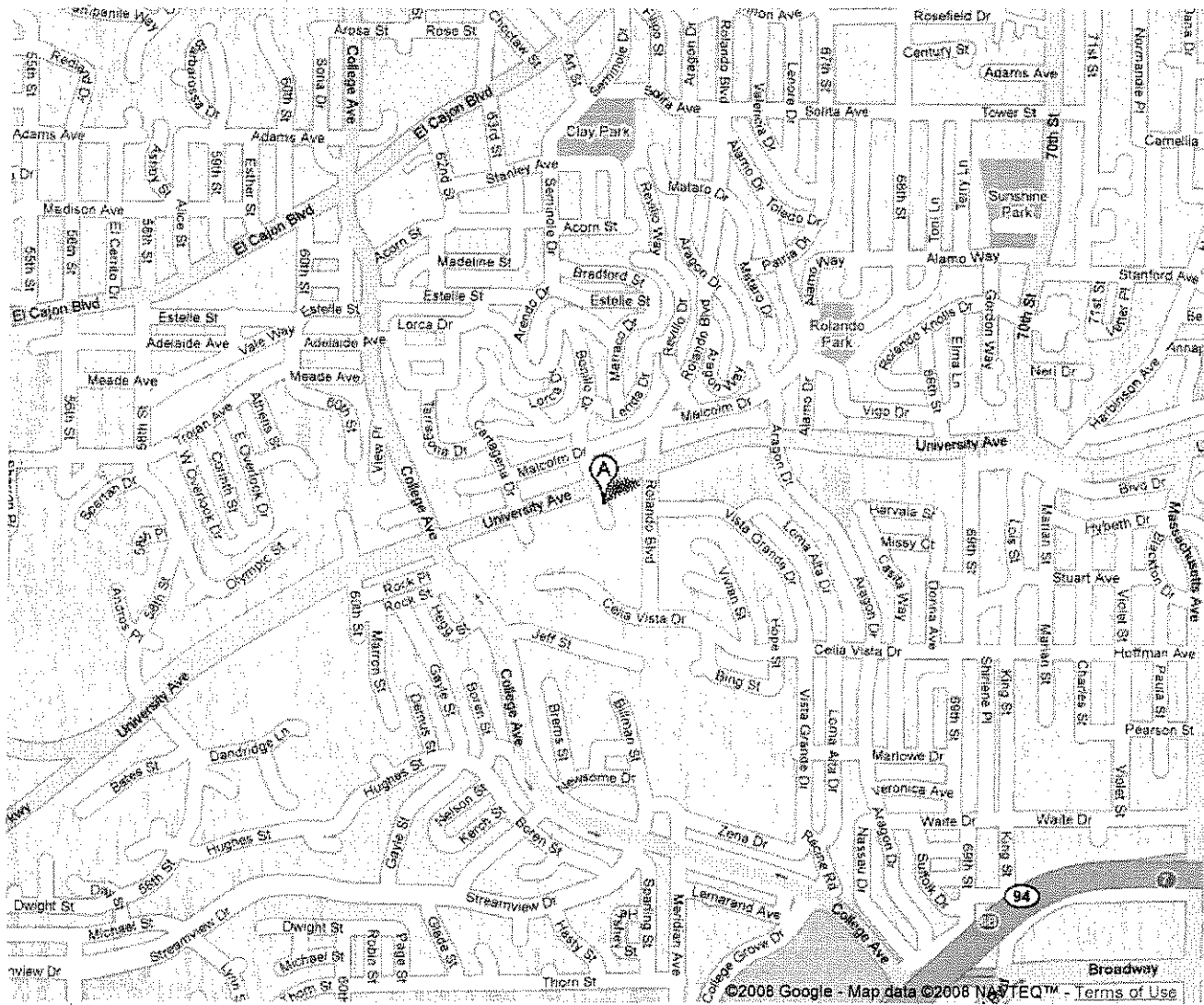
- Attachments:
1. Location Map
  2. Wakeland HCD Developer Disclosure Statement\*
  3. Multifamily Bond Program Summary
  4. Financial Advisor's Analysis

\*Distribution of these attachments may be limited. Copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, Suite 300.

# ATTACHMENT 1

## LOCATION MAP

4140,4150, 4155 BONILLO DRIVE (A)



## ATTACHMENT 2

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

1. Name of CONTRACTOR:

Wakeland Housing and Development Corporation

2. Address and Zip Code:

1230 Columbia Street, Suite 950  
San Diego, CA 92101

3. Telephone Number:

(619) 235-2296

4. Name of Principal Contact for CONTRACTOR:

Jack D. Farris

5. Federal Identification Number or Social Security Number of CONTRACTOR:

33-0833640

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%.

Name, Address and <u>Zip Code</u>	Position Title (if any) and percent of interest or description <u>of character and extent of interest</u>
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(Attach extra sheet if necessary)

\* Board of Directors list attached

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.

Mr. Barry Schultz and Mr. Walter Philips have joined the Board in the last 12 months.

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.

No.



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):

Name, Address and  
Zip Code \_\_\_\_\_

Position Title (if any and  
extent of interest \_\_\_\_\_

N.A.

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:

See attached Board of Directors list

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.

No

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.

Financial Statements attached

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:

This project will utilize tax exempt bonds, **4%** tax credit equity and public subsidy in the form of a soft second loan.

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:

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

N.A.

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

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

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

N.A.

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
	\$	\$

N.A.

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

Paul Shipstead

Vice President, Community Lending

U.S. Bank National Association

4747 Executive Drive, 3rd Floor

San Diego, CA 92121

(858) 334-0704

[paul.shipstead@usbank.com](mailto:paul.shipstead@usbank.com)

Sally Lang

Vice President, Real Estate Group

Wells Fargo, Community Lending Division

Wells Fargo Bank

MAC# E2231-053

2030 Main Street, Suite 500

Irvine, CA 92614

(949) 251-4345

[sally.a.lang@wellsfargo.com](mailto:sally.a.lang@wellsfargo.com)

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.

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.

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:

<u>Type Bond</u>	<u>Project Description</u>	<u>Date of Completion</u>	<u>Amount of Bond</u>	<u>Action on Bond</u>
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N.A.

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:

N.A.

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:

N.A.

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: N.A.

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.

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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N.A.

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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N.A.

22. Provide a detailed and complete statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

N.A.

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 X No

If yes, explain.

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:

N.A.

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation? \_\_\_ Yes X No

If yes, explain:

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

Insurance Agent:  
Cavignac & Associates  
450 B Street, Suite 1800  
San Diego, CA 92101-8005  
Contact: Matt Slakoff  
(619) 744-0549

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

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

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

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

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

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.
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.
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.

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 so state:

<u>Government Entity</u> <u>Making Complaint</u>	<u>Date</u>	<u>Resolution</u>
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N.A.

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 so state:

N.A.

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:

<u>Governmental</u> <u>Agency</u>	<u>Description</u> <u>License</u>	<u>License</u> <u>Number</u>	<u>Date Issued</u> <u>(original)</u>	<u>Status</u> <u>(current)</u>	<u>Revocation</u> <u>(yes/no)</u>
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N.A.

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.

N.A.

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.

N.A.

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:

<u>Date</u>	<u>Entity Involved (i.e., CITY, COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
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See Attachment

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:



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 X No

If yes, explain:

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

Name: Cissy Fisher

Address: 1122 Broadway, Ste 300. San Diego, CA 92101

Phone: (619) 578-7585

Project Name and Description: Beyer Courtvards. 60 units of affordable housing

Name: Debbie Fountain

Address: 2965 Roosevelt St. Ste. B, Carlsbad, CA 92008-2389

Phone: (760) 434-2935

Project Name and Description: Vista Las Flores 28 units of affordable housing

Name: Eri Kameyama

Address:

**Centre City Development Corporation**

401 B Street, Suite 400

San Diego, California 92101

Phone: (619) 533-7177

Project Name and Description: Lillian Place. 74 units of affordable housing

39. Give a brief statement respecting 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.

N.A.

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

N.A.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("COMMISSION"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the COMMISSION, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the COMMISSION, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

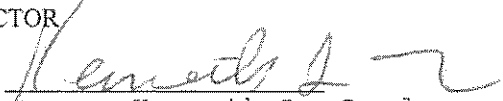
CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 7<sup>th</sup> day of August, 2009, at San Diego, California.

CONTRACTOR

By:

  
Signature - Kenneth L. Sauder

President  
Title

CERTIFICATION

The CONTRACTOR, Kenneth L. Sauder hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: Kenneth L. Sauder By: \_\_\_\_\_  
Kenneth L. Sauder  
Title: President Title: \_\_\_\_\_  
Dated: August 7, 2009 Dated: \_\_\_\_\_

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

State of California

County of \_\_\_\_\_

Subscribed and sworn to (or affirmed) before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

by \_\_\_\_\_ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

\_\_\_\_\_  
Signature of Notary

SEAL

# CALIFORNIA JURAT WITH AFFIANT STATEMENT

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-5 to be completed only by document signer[s], not Notary)

\_\_\_\_\_  
Signature of Document Signer No. 1

\_\_\_\_\_  
Signature of Document Signer No. 2 (if any)

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this

7th day of August, 2009, by  
Date Month Year

(1) Kenneth L. Sauder  
Name of Signer

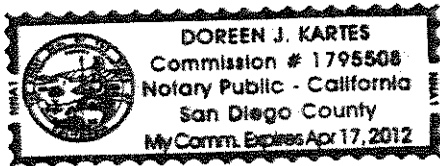
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2) \_\_\_\_\_  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature Doreen J. Kartes  
Signature of Notary Public



Place Notary Seal Above

## OPTIONAL

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

### Further Description of Any Attached Document

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

RIGHT THUMBPRINT OF SIGNER #1
Top of thumb here

RIGHT THUMBPRINT OF SIGNER #2
Top of thumb here

Attachment

List of 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

<u>Date</u>	<u>Entity Involved</u>	<u>Status</u>	<u>Dollar Amount</u>	
2006	Del Sol Apartments	SDHC	Current	\$4,126,000
2004	Lillian Place	Redev. Agency	Current	\$7,289,000
2004	Beyer Courtyards	SDHC	Current	\$4,200,000
2001	Vista Terrace Hills	SDHC	Current	\$1,290,000
2001	Coronado Terrace	SDHC	Current	\$1,270,000
2000	Canyon Rim	SDHC	Current	\$1,565,000
2000	Stratton	SDHC	Current	\$1,565,000

**WAKELAND HOUSING AND DEVELOPMENT  
BOARD OF DIRECTORS**

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**Board Member**

Senior VP of Project Development  
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Hank Cunningham

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Barry J. Schultz

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Stuz Artiano Shinoff & Holtz  
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Ph. # (619) 232-3122

Lee Winslett

**Board Chairman**

Vice President of Wells Fargo Bank  
Community Lending Division  
401 B Street, Suite 304A  
San Diego, CA 92101  
Ph. # (619) 699-3037

Wakeland Housing and Development Corporation  
List of Developments

Project Name/Address	Location	# Units	Type	Loan Balance	Loan	Investment	DSC *	Operating Reserve	Financing Structure	JV Partner
1 Baycliff Apartments	2300 Lancaaster Drive Richmond, CA 94806	342	Family-R	28,800,000	x	76,447	731,894	-	Bonds/Tax Credits	Fairfield Residential
2 Belmont Apartments	3010 Power Avenue Pittsburg, CA 94565	224	Family-R	24,257,488		591	877,034	-	Bonds/Tax Credits	Fairfield Residential
3 Beyer Blvd	3412 Beyer Blvd San Ysidro, CA 92713	60	Family-NC	8,779,938		8	593,744	138,038	Bonds/Tax Credits/Bank Loan	Not Applicable
4 Bristol Apartments	1550 Valley Glen Way Joloff, CA 95620	102	Family-NC	10,527,125		392	288,298	-	Bonds/Tax Credits	Fairfield Residential
5 Canyon Rim	10845 Via Los Narcisos San Diego, CA 92129	504	Family-R	33,995,199		1,994	765,464	-	Bonds/Tax Credits/City Loan	Fairfield Residential
6 Coronado Terrace	3183 35th Street San Diego, CA 92154	312	Family-R	17,887,800		190	1,485,504	-	Bonds/Tax Credits/City Loan	Related Companies
7 Creekside Apartments	495 E 3rd Street San Bernardino, CA 92410	302	Family-R	8,454,810		2,149	2,009,000	-	Bonds	MG Properties
8 Country Club Apts	201 Country Club Lane Queenside, CA	91	Family-R	19,879,448	x		N/A	-	Bonds/Tax Credits/City Loan	Not Applicable
9 Del Sol Apartments	3606 3690 Del Sol Blvd San Diego, CA 92154	93	Family-R	14,406,392		288,440	345,180	418,660	Bonds/Tax Credits	Not Applicable
10 Las Colinas Apartments	3750 Panoramic Road Riverside, CA 92506	148	Family-R	8,889,771		6,117	419,784	-	Bonds/Tax Credits	Cascade
11 Lillian Place Apartments	1401 J Street San Diego CA 92101	74	Family-NC	12,652,161		50	535,040	174,126	9% Tax Credits/City Loan/Bank Loan	SDJF
12 Los Vecinos	1501 Broadway Chula Vista CA	42	Family-NC	13,707,460	x		N/A	-	Bonds/Tax Credits	Not Applicable
13 Multi-fads at Windmere	1108 Crestfield Drive San Ramon, CA 94582	350	Family-NC	32,000,000	x	948	846,216	-	Bonds/Tax Credits/City Loan	Fairfield Residential
14 Pointsettia MHP	13648 Edgethroo Drive Poway, CA 92064	262	Mixed	15,897,923			945,744	946,333	Bonds/City Loan	Not Applicable
15 Raintree Apartments	1034 S Winchester Avenue San Jose, CA 95117	176	Family-R	20,900,000		436	122,513	-	Bonds/Tax Credits	Cascade
16 Sagewood at Stonebridge	4621 Stonebridge Pkwy, San Diego, CA 92131	106	Family-NC	10,938,000	x	412	22,513	-	Bonds/Tax Credits	Cascade
17 Sierra Vista Apartments	1034 S Winchester Avenue San Jose, CA 95117	296	Family-R	13,108,654		8,321	453,090	-	Bonds/Tax Credits	Fairfield Residential
18 The Stratton	3884 1/2 Camino Aguila, San Diego, CA 92111	312	Family-R	21,376,282		1,193	257,735	-	Bonds/Tax Credits/City Loan	Fairfield Residential
19 Thornbridge Apartments	5210 Monterey Road San Jose CA 95111	286	Family-R	19,909,269		25,304	1,614,180	-	Bonds/Tax Credits	Fairfield Residential
20 Town Square Residences	107-111 W Ninth Street National City, CA 91950	6	Family-NC	for sale units sold in 2002				-	Not Applicable	Not Applicable
21 Trebles	1566 Scott Street San Jose, CA 95126	71	Family-R	8,517,431		462	443,236	-	Bonds/Tax Credits	Fairfield Residential
22 Turnkey Apartments	9203 Loma Verde Drive San Jose, CA 95117	152	Family-R	18,241,000			578,168	-	Bonds/Tax Credits/City Loan	Fairfield Residential
23 Via Roble	1553 S. Escondido Blvd Escondido, CA 92025	72	Family-NC	14,100,000		3,655	238,679	90,000	Bonds/Tax Credits	Trinity Housing Group
24 Vista Las Flores	6408 Hayward Place Carlsbad, CA 92009	28	Family-NC	3,022,488		9,152	90,504	302	Tax Credits/ASP/City Loan	SDJF
25 Vista Terrace Hills	1709 Del Sur Blvd San Ysidro, CA 92173	262	Family-R	17,345,394		411	1,090,659	147,205	Bonds/Tax Credits/City Loan	Related Companies
26 Walden Glen	8664 Knott Avenue Buena Park, CA 90621	186	Family-R	14,509,475		1,296	623,698	-	Bonds/Tax Credits/City Loan	Fairfield Residential
27 Watercrest Apartments	4400 Elthorn Blvd Sacramento CA 95826	206	Family-R	9,085,616		7,414	750,456	-	Bonds/Tax Credits	Fairfield Residential
28 Westchester Park	2602 Nissim Road Tustin, CA 92780	150	Family-R	9,544,378		2,929	839,808	-	Bonds/Tax Credits	Fairfield Residential
29 Westgate Apartments	1240 Rebel Lane Santa Maria, CA 93455	204	Family-NC	12,525,716		(441)	398,409	-	Bonds/Tax Credits/City Loan	Hunt Building
30 Wyndover Apartments	805 Diablo Avenue Nevada, CA 94947	136	Family-R	16,869,585		524	652,805	0	Bonds/Tax Credits	Fairfield Residential
<b>UNDER CONSTRUCTION</b>										
Project Name/Address	Location	# Units	Type	Loan Balance					Financing Structure	JV Partner
31 Parkside Terrace	505 13th Street San Diego, CA 92101	77	Family-NC	19,622,210					Bonds/Tax Credits	Not Applicable
<b>PREDEVELOPMENT</b>										
Project Name/Address	Location	# Units	Type	Loan Balance					Financing Structure	JV Partner
32 Village Green	4150 Bonifilo Dr San Diego, CA	94	Family-R						Bonds/Tax Credits	
33 Vista Grande	5391-5411 Santa Margarita St San Diego, CA	49	Family-R						Bonds/Tax Credits	
Total in Predevelopment										
TOTAL UNITS										
		5555								
		77								
		94								
		143								
		5775								

**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” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

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

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. 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 financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.



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

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

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

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

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

## ATTACHMENT 4

### ROSS FINANCIAL

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1736 Stockton Street, Suite One • San Francisco, CA 94133 • (415) 912-5612 • FAX (415) 912-5611

August 13, 2009

Ms. Ann Kern  
Bond Project Manager  
San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101

Re: Village Green Apartments

Dear Ms. Kern:

The San Diego Housing Commission (the "Commission") has retained Ross Financial as its financial advisor to analyze the feasibility of issuing bonds for the Village Green Apartments (the "Project"). The feasibility analysis reviews the following items:

- Project Overview
- Proposed Financing
- Benefits and Risks to Commission
- Public Purpose
- Recommendations

Ross Financial has based its analysis of the Project's feasibility on materials provided by Wakeland Housing & Development Corporation ("Wakeland"), as developer, on behalf of Wakeland Village Green, L.P., a California limited partnership (the "Borrower"). The materials include: the application to the California Debt Limit Allocation Committee ("CDLAC"), the market study for the Project, the financing commitment from U.S. Bank as Bond Purchaser and Wakeland's proposed financial schedules for the Project. Ross Financial has not visited the site of the proposed Project.

#### PROJECT OVERVIEW

**Project Summary.** The Project is an existing 94-unit affordable housing development in 13 two-story wood frame and stucco buildings. Built in 1967, the Project currently has a unit mix consisting of 56 two bedroom/one bath units, 24 two bedroom/one and one-half bath units and 14 three bedroom/two bath units. One unit is for the on-site manager and one unit had been used for storage. The Project also includes a community center, playground and surface parking with 125 spaces.

The Borrower acquired the Project on May 15, 2009. The Borrower intends to rehabilitate the Project after bond closing at an average rehabilitation cost of approximately \$30,000 per unit. The rehabilitation work will include new kitchens and baths, new floors and roofs, new energy efficient appliances and windows, new lighting,

improved security, a remodeled, enlarged and solar-powered community center. One unit will be converted to an office with a business center for residents; the converted unit also may include an office for the San Diego Police Department.

After rehabilitation, the Project will provide 79 two bedroom units, 14 three bedroom units and the manager's office. Apart from one unit to be used by the resident manager, the remaining 92 apartment units will be restricted to low and very low income tenants as follows:

- 8 units will be restricted to households with income levels up to 46% of area median income ("AMI");
- 2 units will be restricted to households with income levels of up to 50% AMI;
- 50 units will be restricted to households with income levels of up to 54% of AMI;
- 32 units will be restricted to households with income levels of up to 60% of AMI; and

***Description of Project Site.*** The proposed Project is located at 4140-4155 Bonillo Drive. The 6.78 acre Project site is located in the Rolando community near the intersection of University Avenue and College Avenue. The neighborhood is part of the Crossroads Redevelopment Area designated by the City of San Diego.

Surrounding land uses consist of commercial properties to the north and west, residential properties to the south and residential properties and vacant land to the east. Five different bus routes stop at the 30<sup>th</sup> and El Cajon stop located within two blocks of the site. The Project site also is readily accessible to grocery shopping, health clinics, schools and public parks.

***Project Ownership/Borrower/Developer.*** The ownership entity for the Project and Borrower will be Wakeland Village Green Apartments, L.P., a California limited partnership consisting of: (1) Wakeland Village Green LLC as the General Managing Partner (an affiliated limited liability corporation formed by Wakeland) and (2) a tax credit investor limited partner that is expected to be Union Bank. Wakeland is the Developer of the Project.

According to its CDLAC application, Wakeland has 10 years of experience during which it developed/rehabilitated 30 multifamily rental housing projects with an aggregate of 5,681 affordable units. Within the past five years, in San Diego, Wakeland has developed/rehabilitated seven multifamily rental housing projects containing more than 1900 affordable housing units. Wakeland's most recent projects with the Housing Commission are the Beyer Courtyard Apartments, a new construction project completed in April 2006, Lillian Place, a new construction project completed in December 2006 and Del Sol Apartments, an acquisition-rehabilitation project completed in March 2007.

**CDLAC.** In March 2009, the Housing Authority filed an application to CDLAC requesting \$9,664,172 of private activity bond allocation for the Project. The award of allocation in that amount occurred at CDLAC’s meeting of May 27, 2009. The allocation must be used by October 5, 2009 (130 days after the award).

In connection with the CDLAC application process, on October 7, 2008, the Housing Authority adopted a resolution of intent to issue bonds for the Project; the resolution also approved submittal of an application to CDLAC. Also on October 7, 2008, a TEFRA hearing was held before the City Council at which time the Project was approved for purposes of Section 147 of the Internal Revenue Code.

**PROPOSED FINANCING**

**Project Costs and Funding.** According to projections provided by Wakeland, the total Project costs, including acquisition/rehabilitation, lease-up interest and other soft costs will be approximately \$18,586,000 during construction and \$19,746,000 following construction and lease-up (“at permanent”). The estimated sources of funding for these costs (rounded to the nearest \$1,000) will differ during construction and at permanent, as shown in the following table:

<b>Sources</b>	<b>Construction</b>	<b>Permanent</b>
Tax-Exempt Bond Proceeds	\$9,632,000	\$6,551,000
Low Income Housing Tax Credit Equity	887,000	4,437,000
Solar Tax Credits	0	88,000
Redevelopment Agency Loan	5,761,000	5,788,000
Housing Commission Loan	1,889,000	2,165,000
Deferred Payment of Debt	188,000	188,000
Deferred Developer Fee/Project Income	229,000	529,000
<b>Total</b>	<b>\$18,586,000</b>	<b>\$19,746,000</b>
<b>Uses</b>		
Acquisition	\$11,591,000	\$11,591,000
Rehabilitation Costs	3,510,000	3,510,000
Design/Engineering/Permits	292,000	292,000
Financing Costs	2,163,000	2,408,000
Developer Fee	300,000	1,200,000
Soft Costs and Contingency	730,000	745,000
<b>Total</b>	<b>\$18,586,000</b>	<b>\$19,746,000</b>

**Bond Amount and Bank Purchase Approach.** The bonds will be issued as two series of unrated bonds by the Housing Authority: the Series A Bonds in the anticipated amount of \$6,551,000 and the Series B Bonds in the anticipated amount of \$3,081,000 (collectively, the “Bonds”). The Bonds will finance a portion of the acquisition/ rehabilitation costs of the Project. Following the completion of rehabilitation and lease-up, in approximately 12

months after issuance, it is expected that the Series B Bonds will be paid down in full from with tax credit equity funds.

The Bonds will be purchased directly by U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, it will sign an “Investor’s Letter” certifying, among other things, that it is buying the Bonds for its own account and not for public distribution.

The Bonds will pay interest only during construction. The interest rate on the Bonds will likely be a floating rate, pegged as a percentage of the 30 Day LIBOR<sup>1</sup> index plus a spread of 3.50% with a floor of 4.5%. At permanent, the Series A Bonds will pay a fixed rate of interest for 15 years at a rate to be set by closing; the rate will reset at the end of 15 years. Based on the current market, the fixed rate would be approximately 6.2%. The Series A Bonds will amortize over 30 years. The Series B Bonds will be repaid in full at conversion.

The Bonds are expected to close in early October 2009.

***Housing Authority Financial Involvement.*** The Housing Commission (the “Commission”) is providing subordinate financing in the amount of up to \$2,165,067. This subordinate funding will be used to fund/reimburse the Borrower for Project acquisition and rehabilitation costs, contingent on the receipt of 4% tax credits, the issuance of the Bonds and other sources of financing.

The Authority’s subordinate financing will be in the form of a residual receipts loan with the following basic terms:

- Interest Rate: 3% simple interest
- Payments: Beginning at the end of the first full year after payoff of the deferred developer fee (estimated in the 6<sup>th</sup> year)
- Term: 55 years
- Affordability: 10 units @ 50% AMI; 82 units @ 60% AMI

***Redevelopment Agency Financial Involvement.*** The Redevelopment Agency (the “Agency”) is providing subordinate financing in the amount of up to \$5,788,475. This subordinate funding also will be used to fund/reimburse the Borrower for Project acquisition and rehabilitation costs, contingent on the receipt of 4% tax credits, the issuance of the Bonds and other sources of financing

The Agency’s subordinate financing will be in the form of a residual receipts loan with the following basic terms:

- Interest Rate: 3% simple interest

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<sup>1</sup> LIBOR refers to the London Inter-Bank Offering Rate. LIBOR is an index off which most banks base their lending rates.

- Payments: Beginning at issuance of Certificate of Occupancy
- Term: 55 years
- Affordability: 10 units @ 50% AMI; 82 units @ 60% AMI

***Affordability Restrictions.*** The Project will be subject to the following regulatory restrictions and terms:

- Tax-Exempt Bond Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and
- Commission's Agreement Affecting Real Property (Including Rental Restrictions) under which the units will be restricted for 55 years.
- Agency's Agreement Affecting Real Property (Including Rental Restrictions) under which the units will be restricted for 55 years.

***Project Cash Flow.*** According to the pro forma cash flows provided by the Borrower, Project income from rents and other income (e.g., laundry, commercial) is estimated at \$1,133,088 for the first year of stabilized occupancy (assuming a 5% vacancy factor for the residential units). Project expenses are estimated at \$498,461 (including replacement reserves). As a result, first year net operating income (gross revenues less expenses) is estimated at \$577,753.

The Borrower has estimated first year debt service on the Bonds (following the rehabilitation period) to be approximately \$481,461 (assuming an all-in interest rate of 6.2%). Annual debt service is projected to remain level.

Net operating income is anticipated to cover annual debt service by approximately 1.20 times in the first year of stabilized occupancy, according to the Borrower's pro forma cash flow. The forecast cash available after expenses (including reserves) and debt service is estimated by the Borrower to be \$96,292 in the first year of stabilized occupancy.

The Borrower has escalated projected revenues and operating expenses at the rate of 2.5% and 3.5% per year, respectively.

The table on the following page shows the Borrower's projected cash flow for the Project during first five years following stabilized occupancy:

<i>Escalation</i>		Year				
		1	2	3	4	5
2.50%	<b>Gross Scheduled Income</b>	1,133,088	1,161,415	1,190,450	1,220,212	1,250,718
	<b>less 5% vacancy</b>	(56,654)	(58,071)	(59,523)	(61,011)	(62,536)
	<b>Total Net Income</b>	1,076,434	1,103,344	1,130,928	1,159,201	1,188,182
3.50%	<b>Total Expenses + Reserves</b>	(498,681)	(515,692)	(533,284)	(551,482)	(570,307)
	<b>Net Operating Income</b>	577,753	587,652	597,644	607,719	617,875
	<b>Debt Service - Bonds</b>	(481,461)	(481,461)	(481,461)	(481,461)	(481,461)
	<b>Projected Cash Available</b>	96,292	106,191	116,183	126,258	136,414
	<b>Debt Service Coverage - Bonds</b>	1.20	1.22	1.24	1.26	1.28

**PUBLIC PURPOSE**

The Bonds will result in the long-term affordability of 92 two and three-bedroom units in the City of San Diego: 8 units will be restricted and affordable to households earning up to 46% of AMI; 2 units will be restricted and affordable to households earning up to 50% of AMI; 50 units will be restricted to households earning up to 54% of AMI, 32 units will be restricted and affordable to households earning up to 60% of AMI, and 1 unit will be occupied by a resident manager.

The Bond and Tax Credit Regulatory Agreements and the Commission’s and Agency’s Agreement Affecting Real Property (Including Rental Restrictions) will require that affordability levels be maintained for a period of 55 years.

**BENEFITS AND RISKS TO THE COMMISSION**

The Bonds provide a vehicle for financing the construction of the Project. As proposed, the Bonds will result in the long-term affordability of 92 two and three-bedroom units in the City of San Diego with units restricted to income levels described in “Public Purpose” above.

The Bonds do not pose undue financial risk to the Housing Authority. The Bonds are not a direct obligation of the Housing Authority or the City of San Diego. The Bonds will be owned directly by U.S. Bank, which has indicated its intention to hold the Bonds for its own account and not for public distribution. A sizable portion of the Bonds (\$3,081,301) is expected to be retired shortly after conversion.

If the Housing Authority issues the Bonds, the Commission would receive a fee at Bond closing of approximately \$22,154 equal to 0.23% times the initial par amount of the Bonds (approximately \$9,632,000). The Commission would also receive an annual



payment of approximately \$22,154 during the construction period (assuming the same initial par amount. Following the Conversion Date and the expected payment of the Series B Bonds, the Commission would receive an annual monitoring fee of approximately \$15,066.89.

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions. The Borrower has agreed to indemnify the Housing Authority and Commission as to matters relating to the Bond issue. However, the Borrower is a single purpose entity with no significant assets or sources of income other than the Project and is generally not required to make up any cash flow shortfalls.

### **RECOMMENDATIONS**

Assuming Union Bank, or other financial institution, commits to serve as the tax credit equity investor for the Project, Ross Financial recommends that the Housing Authority proceed with the issuance of the Bonds based on the following findings:

- The Bonds would achieve a public purpose by providing 92 affordable units, with all units restricted to income levels at or below 60% of AMI.
- The Bonds will be purchased by a well-established, highly capitalized bank which is active in affordable housing lending and which will sign an Investor's Letter to the effect that is a "qualified institutional investor". The Bonds will also be subject to very restrictive transfer limitations.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. Issuance costs will be paid by the Borrower.
- Based on estimates provided by the Borrower, as reviewed and confirmed by U.S. Bank, there should be sufficient funds to complete the Project and the Project provides adequate cash flow to cover Bond debt service.

If there is any additional information you require concerning the Village Green Apartments, Ross Financial will be pleased to provide a supplemental analysis.

Very truly yours,



Peter J. Ross  
Principal