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Housing Authority of the City of San Diego Preliminary Bond Authorization for Grant Heights Apartments and Winona Apartments

Housing Authority Agenda Item #3 and City Council Agenda Item #336
October 1, 2019

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SDHC – Grant Heights and Winona Partnership Development Recommendations

That the Housing Authority of the City of San Diego (Housing Authority):

- 1) Approve initial steps to issue up to \$9,000,000 in tax-exempt Multifamily Housing Revenue Bonds for Grant Heights II, including:
 - Issue a Bond Inducement Resolution.
 - Authorize a Bond Allocation Application to the California Debt Limit Allocation Committee.
 - Approve Bond Counsel (Quint & Thimmig LLP) & Financial Advisor (PFM Group).

- 2) Authorize SDHC's President & CEO, or designee, to execute all necessary documents.





SDHC – Grant Heights and Winona Partnership Development Recommendations (Continued)

That the San Diego City Council:

Hold a Tax Equity and Fiscal Responsibility Act hearing (TEFRA) and adopt a resolution approving the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$9,000,000.

Preliminary Approvals – Staff will return to the Housing Authority at later date for consideration of final approval of the bonds.





SDHC – Grant Height and Winona Partnership Development Development Summary

- Grant Heights is 28 units at 2651-63 'J' Street; built in 1973.
- Winona is 14 units at 3845 Winona Avenue; built in 1986.
- The two apartment complexes are approximately five miles apart.
- Mix of one-, two- and three-bedroom units.
- Proposal to combine the two apartment complexes into a single 42-unit project, to be rehabilitated.
- In 2002, Grant Heights Apartments received \$867,279 residual receipts loan.
 - Loan is still outstanding.
- In 1997, Winona Apartments received a \$181,753 residual receipts loan.
 - Loan has been paid off. Original affordability restrictions continue.
- Co-developers – Urban League of San Diego County and San Diego Community Housing Corporation.



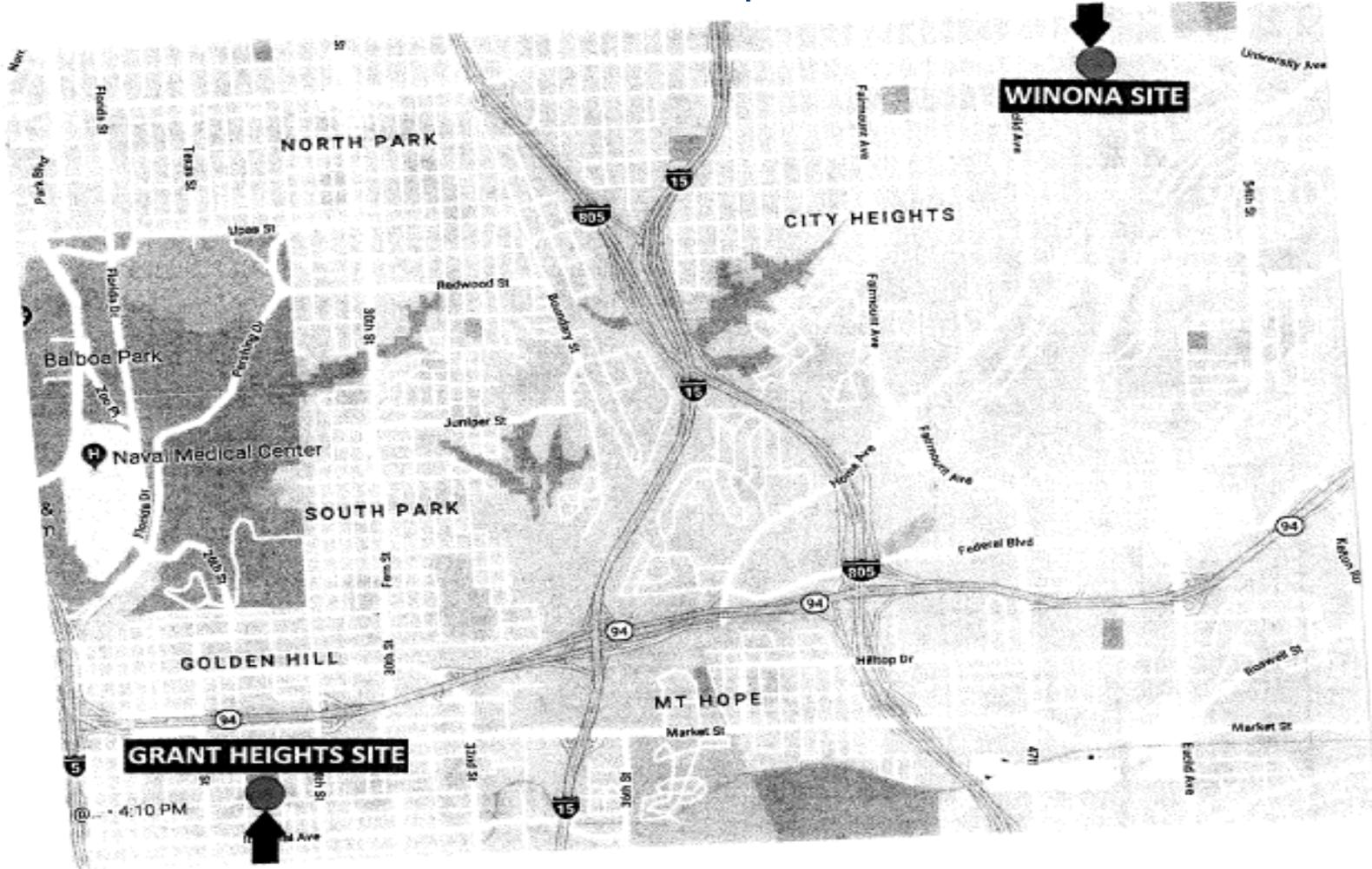


SDHC – Grant Heights and Winona Partnership Development Development Summary (Continued)

- Co-developers are proposing:
 - Both properties' ownership will be combined into one project that will be owned by a to-be-formed limited partnership.
 - SDHC allow the to-be-formed limited partnership to assume SDHC's Grants Heights existing loan, with a 50 percent pay down on that loan's balance at escrow closing.
 - SDHC recommend that the Housing Authority apply to CDLAC for a new issuance (up to \$9,000,000) of tax-exempt Multifamily Housing Revenue bonds.
 - Co-developers to apply to Tax Credit Allocation Committee for approval to obtain a 4 percent tax credits allocation.
 - Complete the rehabilitation of both properties.



SDHC – Grant Heights and Winona Partnership Development Site Map



SDHC – Grant Heights and Winona Partnership Development

Estimated Sources and Uses Permanent Financing

| Sources of Funds | Amount | Uses of Funds | Amount |
|--|---------------------|--------------------|---------------------|
| Tax Exempt Bond Financed Loan | \$3,289,000 | Acquisition Costs | \$9,790,000 |
| Housing Commission Proposed Carry Back Loan | 668,640 | Construction Costs | 3,160,080 |
| Operating Income During Construction | 75,000 | Financing Costs | 940,174 |
| Operating Reserve Transfer | 125,000 | Reserves | 256,858 |
| Seller (Urban Housing) Contribution | 5,447,721 | Other Soft Costs | 599,182 |
| Seller (SDCHC) Carryback Financing | 1,441,539 | Developer Fee | 1,980,000 |
| Deferred Developer Fee | 580,000 | Permits and Fees | 63,000 |
| Four Percent Tax Credit Equity | 5,211,394 | Relocation Costs | 149,000 |
| Total | \$16,938,294 | Total | \$16,938,294 |

- Estimated TDC Per Unit (for 42 Units) = \$403,293



SDHC – Grant Heights and Winona Partnership Development Affordability

| Unit Type | AMI | Number of Units | Gross Rents |
|------------------------------------|-----|-----------------|-------------|
| Grant Heights - 1 Bedrooms | 45% | 6 | \$902 |
| Grant Heights – 2 Bedrooms | 45% | 7 | \$1,083 |
| Grant Heights – 1 Bedrooms | 50% | 4 | \$1,003 |
| Grant Heights – 2 Bedrooms | 50% | 10 | \$1,203 |
| Winona – 1 Bedrooms | 50% | 9 | \$1,003 |
| Winona – 2 Bedrooms | 50% | 4 | \$1,203 |
| Winona – 3 Bedrooms | 50% | 1 | \$1,391 |
| Subtotal | | 41 | |
| Managers' unrestricted unit | | 1 | |
| Total Units | | 42 | |
| | | | |





SDHC – Grant Heights and Winona Partnership Development Development Timeline

| Milestone | Estimated Date |
|---|-----------------------|
| ● Housing Authority Preliminary Review. | October 1, 2019 |
| ● City Council IRS/TEFRA Hearing | October 1, 2019 |
| ● Applications for TCAC & CDLAC | October 11, 2019 |
| ● Allocation Meetings TCAC & CDLAC | December 11, 2019 |
| ● SDHC Final Review..... | January 2020 |
| ● Housing Authority Final Review. | January 2020 |
| ● Estimated Escrow/Financing Closing. | February 2020 |
| ● Estimated Construction Start | February 2020 |
| ● Estimated Construction Completion. | June 2020 |





SDHC – Grant Heights and Winona Partnership Development Bond Issuance Summary

- Proposed bond issuance up to \$9,000,000.
- Developer responsible for paying all costs of issuing bonds.
- Issuance pursuant to SDHC’s bond policy.
- Bonds issuance will not create financial liability to SDHC, or to Housing Authority or to City.
- Neither full faith and credit nor taxing power of the City nor full faith and credit of the Housing Authority will be pledged to payment of the bonds.



SDHC – Grant Heights and Winona Partnership Development Site Photo – Winona Apartments



SDHC – Grant Heights and Winona Partnership Development Site Photo – Grant Heights Apartments

