










San Diego Housing Commission  
Expanding Affordable Housing

# Rental Housing 2010 Programs

-  Rental Housing NOFA
-  Early assistance/pre-development loan program
-  Multifamily Bonds
-  Project-Based Section 8
-  Permanent Supportive Housing & Special Initiatives


# Our Newest Plan

## Finance Plan to expand Affordable Housing

-  Transition out of public housing
-  Obligation to HUD

## Here's how we're going to get there

Mortgage existing portfolio of apartment complexes of 5 units or greater

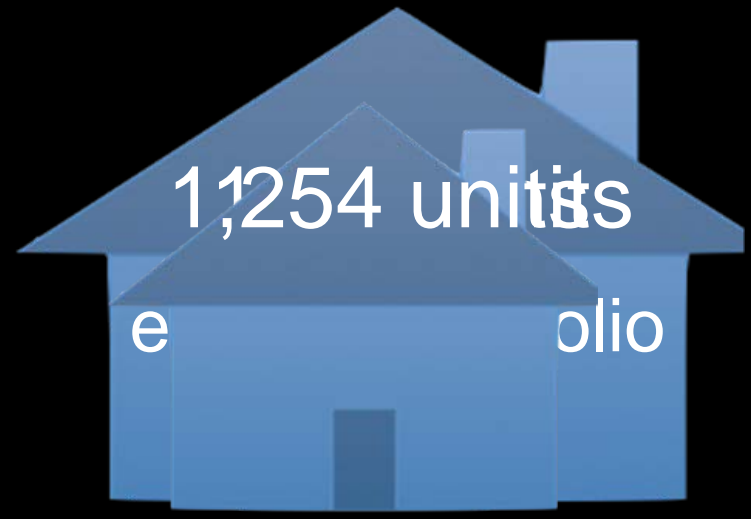


Mortgages to generate \$102 million in equity to be used for property acquisitions



Refinance new acquisitions to acquire more affordable rental homes

Developing \$1.41 billion in equity



Fannie Mae

40%  
public/private




FHA loans

excluding 1-4's  
117 units

60%  
BABs

# What is BABs?

## Build America Bonds (“BABs”)

-  Interest rebate program offered by federal government under ARRA
-  35% interest rebate for entire term of loan
-  FHA 223 (f) program-35-year loan term

Proceeds from BABs-qualified FHA financing will be used to acquire properties that:






- Are owned solely by a municipality (non-private)
- Qualify for tax-exempt financing

 Program sunsets 12/31/10

 Proceeds must be deployed in BABs qualified investments within 3 years

 Not necessarily a bond

## Step One: First Phase of Acquisitions with **FHA**

-  Financing produces 60% of the original \$102 million used to acquire entirely publicly-owned properties
-  Acquisitions are BABs eligible and qualify for BABs interest rebate
-  To maximize use of this financing, pay cash
-  Produces about **550 rental homes**
-  BAB's interest rebate of \$1,220,000/ year




FHA

## Step One (continued): First Phase of Acquisitions with **Fannie Mae**



-  Produces 40% of the \$102 million
-  Financing will be used to acquire properties in public/private partnerships (not eligible for BABs)
-  Produces about **365 rental homes**

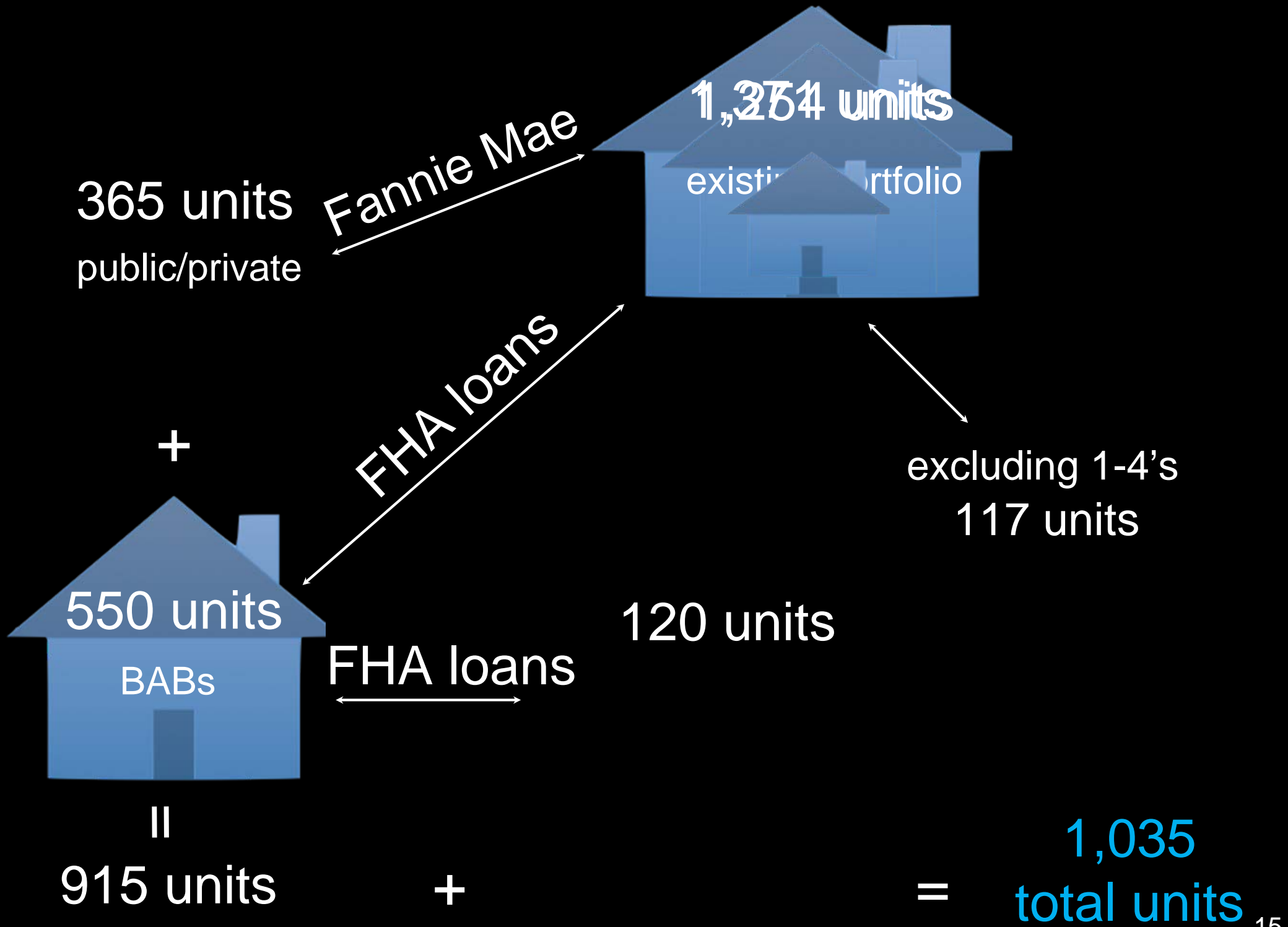
**Fannie Mae**

## Step Two: Second Phase of Acquisitions

-  Once stabilized, the BABs qualified properties purchased with cash will be re-financed with mortgages
-  The new mortgages will generate additional proceeds as equity for re-investment
-  BAB's interest rebate of about \$170,000 a year

## Step Two (continued): Second Phase of Acquisitions




-  Additional equity will allow for 120 additional units
-  The second phase of acquisitions must be completed by December 31, 2010 to be BABs qualified



Underwriting Parameters	FHA/Fannie Mae Program Limits	SDHC Proposal
Total Estimated Value	\$141.0 MM	\$141.0 MM
Maximum Loan to Value	80%-85%	70%-75%
Maximum Loan Amount	\$116.7 MM	\$102.6 MM
Interest	6.0%-6.25%	6.0%-6.25%
Term (Years)	30-35	30-35
Annual Debt Service	\$8.3 MM	\$7.7 MM
Actual DCR	1.27	1.37

Underwriting Parameters	FHA/Fannie Mae Program Limits	SDHC Proposal
Estimated # of Units Acquired	1,200	1,035
Cash Flow	\$2.8 MM	\$3.4 MM
BABs Interest Rebate	\$1.5 MM	\$1.3 MM
1-4 Cash Flow	\$913.0 M	\$913.0 M
New DSC	1.57	1.67

## Goals: Balanced, Stabilized Portfolio

-  New acquisitions to be approved by SDHC's Board of Commissioners
-  Continual assessment of underwriting in relationship to portfolio
-  Report annually to SDHC on status of portfolio