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San Diego Housing Commission (SDHC) Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Merge 56 Affordable Apartments

Presentation to the SDHC Board of Commissioners
July 9, 2021

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Real Estate Division



SDHC – Merge 56 Affordable Apartments Development Summary

- Proposed new construction of 47 affordable rental units, including one restricted manager's unit:
 - Affordable one, two, three and four-bedroom units
 - Affordable for 55 years for households with income from 30 percent to 60 percent of San Diego's Area Median Income
 - Vacant site at Carmel Mountain Road, south of Ted Williams Parkway/State Route 56 in the Torrey Highlands subarea of the North City Future Urbanizing Area
 - No SDHC loan proceeds will be provided to this development.

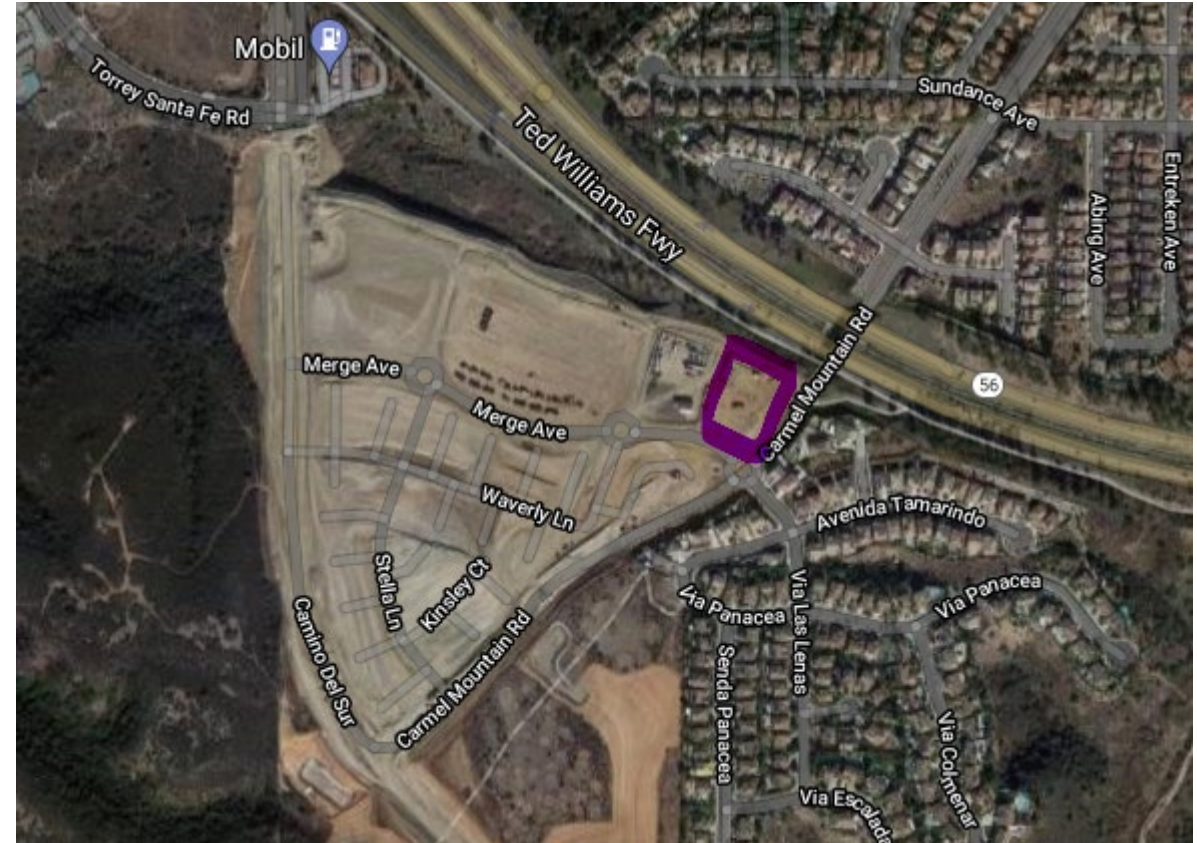
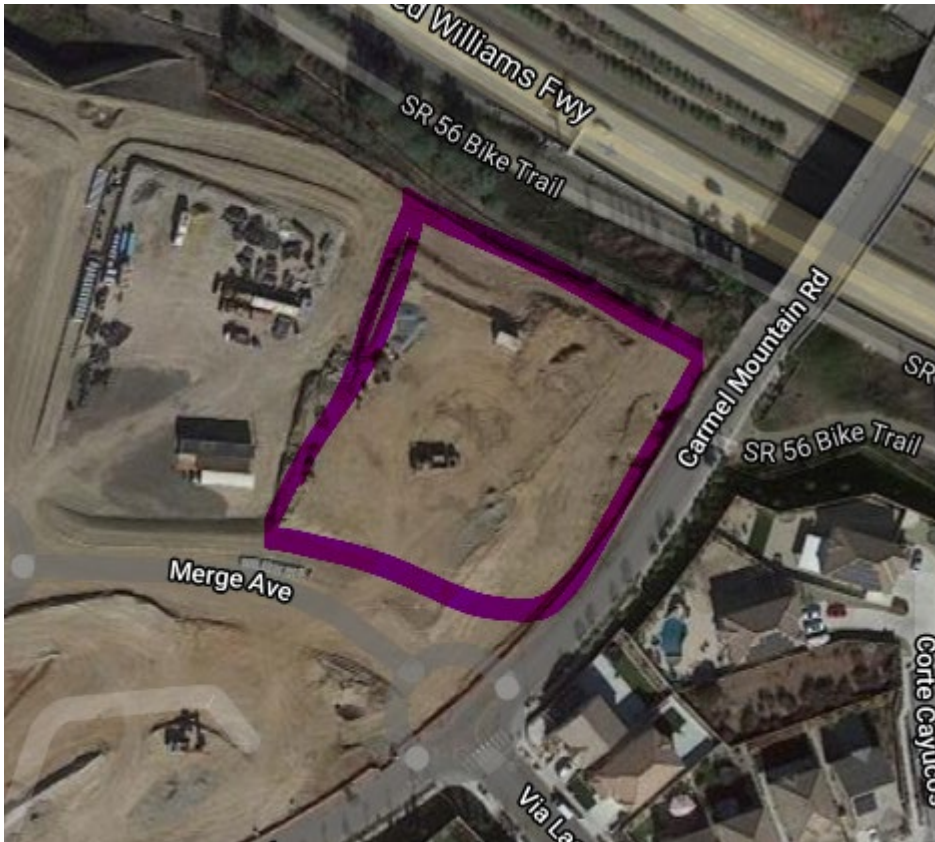


SDHC – Merge 56 Affordable Apartments Development Summary (Continued)

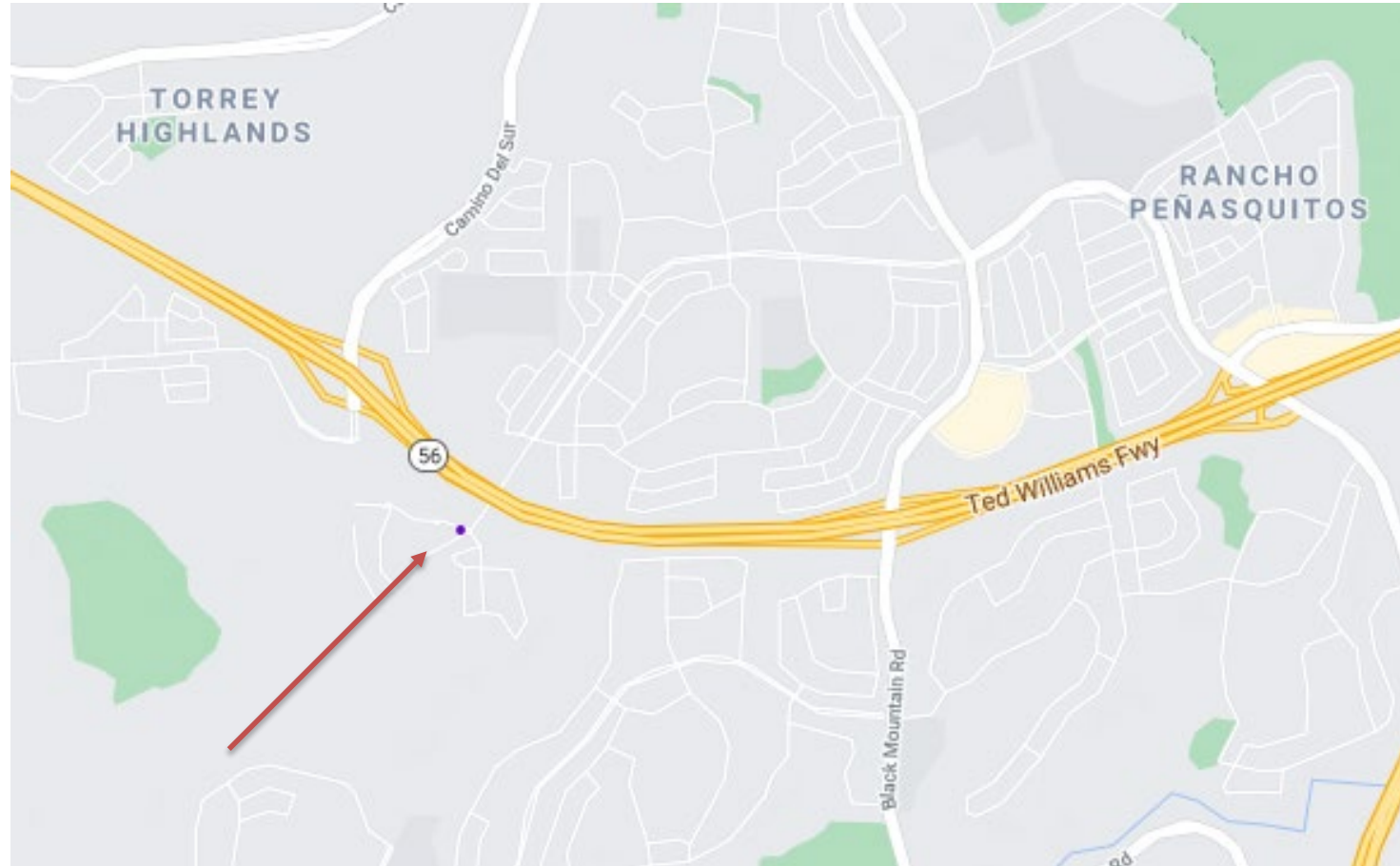
- Part of the larger, to-be-developed, master-planned community known as Merge 56
- Merge 56 master development:
 - 485,000 square feet of offices
 - 40,000 square feet of retail
 - 242 market-rate residential units (single-family lots, townhomes and flats)
 - 47 units of Merge 56 Affordable Apartments.
- Affordable units would satisfy the master-planned community's affordable housing requirement under the City of San Diego's Master Affordable Housing Agreement.



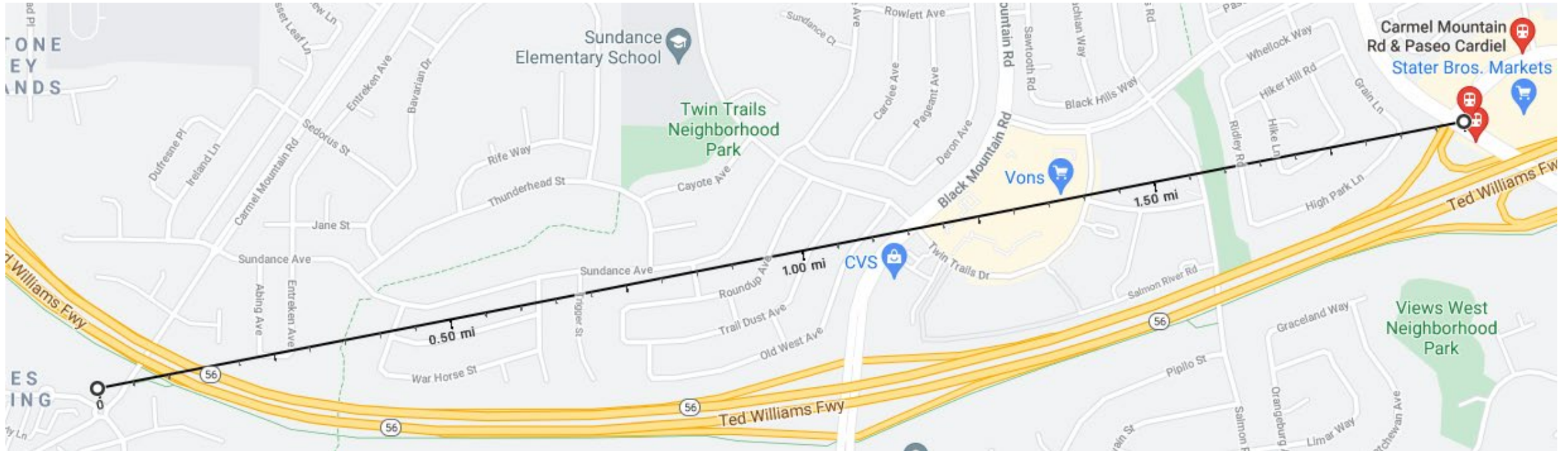
SDHC – Merge 56 Affordable Apartments Location Map



SDHC – Merge 56 Affordable Apartments Location Map



SDHC – Merge 56 Affordable Apartments Proximity to Transit

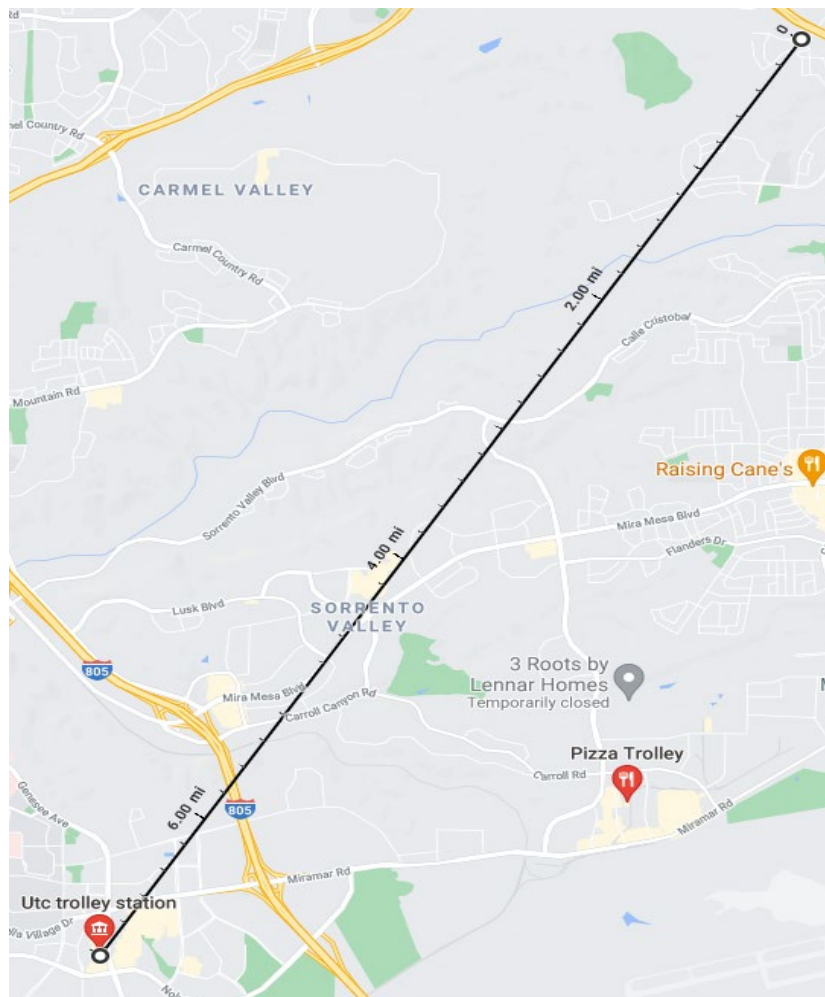


Bus Station located approximately 1.9 miles east.



SDHC – Merge 56 Affordable Apartments Proximity to Transit

- Mid-Coast Trolley extension to new University Town Center (UTC) trolley station expected to be available in late 2021.



SDHC – Merge 56 Affordable Apartments Development Impact Fees as of June 2, 2021

DEVELOPMENT IMPACT FEES		
FBA ⁽²⁾		
Community	Single Dwelling Unit	Multiple Dwelling Unit
Black Mountain Ranch - Residential and Institutional	\$42,142	\$29,499
Black Mountain Ranch - Commercial and Employment Centers (Per 1,000 Sq. Ft.)	n/a	n/a
Black Mountain Ranch - Senior Housing	\$16,014	\$16,014
Black Mountain Ranch - Hotel Room \$19,385	n/a	n/a
Carmel Valley	\$34,297	\$24,008
Del Mar Mesa	AR-1-1 zone \$137,745; AR-1-2 zone \$129,480	\$96,422
Mira Mesa - Residential and Commercial	\$39,404	\$27,583
Mira Mesa - Industrial	n/a	n/a
North University City	\$34,397	\$24,078
Otay Mesa	\$42,123	\$37,441
Pacific Highlands Ranch	\$56,121	\$39,286
Pacific Highlands Ranch - Del Mar Highlands Estates Only	\$38,163	\$38,163
Rancho Encantada	\$5,240	\$3,667
Rancho Peñasquitos	\$37,721	\$26,405
Sabre Springs - Residential	\$8,153	\$5,708
Sabre Springs - Commercial and Industrial (Per 1,000 Sq. Ft.)	n/a	n/a
Scripps Miramar Ranch	\$29,175	\$20,422
Torrey Highlands - Residential/Commercial/Institutional/Employment Center	\$135,609	\$94,929
Torrey Highlands- Limited Commercial	n/a	n/a
Torrey Highlands- Local Mixed Use	\$135,609	\$94,929



SDHC – Merge 56 Affordable Apartments

Estimated Permanent Financing Sources and Uses

Financing Sources	Amount	Financing Uses	Amount
Bond financed permanent loan	\$6,140,000	Land acquisition and closing costs	\$2,000,001
Seller gap loan	5,393,461	Construction cost	16,175,301
Seabreeze LLC master developer's infrastructure work	2,000,000	Financing costs	1,651,302
General Partner contribution	2,189,871	Other soft costs	1,993,938
Accrued interest on gap soft loan	245,746	Permits and fees	5,288,766
Net Operating Income post-construction to permanent financing conversion	100,000	Reserves	370,000
Deferred developer's fee	650,000	Developer fee	3,639,871
4 percent tax credit equity	\$12,530,000		
Total Sources	\$29,249,078	Total Development Costs (TDC)	\$29,249,078

- Estimated Total Development Cost Per Unit (47 Units) = \$622,321



SDHC – Merge 56 Affordable Apartments

Affordability and Estimated Rents

Unit Type	AMI	Units	CTCAC Gross Rent
One-bedroom units	30%	1	\$682
One-bedroom units	50%	1	\$1,136
One-bedroom units	60%	<u>5</u>	\$1,364
Subtotal One-bedroom units		7	
Two-bedroom units	30%	2	\$818
Two-bedroom units	50%	2	\$1,363
Two-bedroom units	60%	<u>20</u>	\$1,636
Subtotal Two-bedroom Units		<u>24</u>	
Three-bedroom units	30%	1	\$945
Three-bedroom units	50%	1	\$1,575
Three-bedroom units	60%	<u>9</u>	\$1,890
Subtotal Three-bedroom units		11	
Four-bedroom units	30%	1	\$1,054
Four-bedroom units	50%	1	\$1,757
Four-bedroom units	60%	<u>2</u>	\$2,109
Subtotal Four-bedroom units		4	
Manager's one-bedroom unit	60%	1	\$1,364
Total	--	47	--



SDHC – Merge 56 Affordable Apartments Development Timeline

Milestones	Estimated Dates
• CDLAC 4 percent bond application.....	September 9, 2021
• CTCAC tax credit application.....	September 9, 2021
• CDLAC bond & CTCAC tax credit allocations.....	December 8, 2021
• Estimated bond issuance & escrow/loan closing	February 2022
• Estimated start of construction work.....	March 2022
• Estimated completion of construction work.....	August 2023



SDHC – Merge 56 Affordable Apartments Street View



SDHC – Merge 56 Affordable Apartments Artist's Rendering



SDHC – Merge 56 Affordable Apartments Development Team Summary

Role	Firm/Contract
Developer	Rise Urban Partners LLC
Owner	To be formed California limited partnership
Managing General Partner	Pacific Affordable Housing Corporation
Tax Credit Limited Partner	Redstone Equity Partners
Architect	Safdie Rabines Architects
General Contractor	C.W. Driver Construction
Property Management	Hyder and Company
Tenant Services Provider	To be selected
Construction Lender	To be selected
Permanent Lender	To be selected



SDHC – Merge 56 Affordable Apartments Bond Issuance Summary

- Proposed bond issuance of up to \$16,000,000 in tax-exempt bonds.
- Developer is responsible for paying all costs of issuing bonds.
- Issuance pursuant to SDHC's bond policy.
- Bond issuance will not create financial liability to SDHC, Housing Authority, nor City.
- Neither the 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 – Merge 56 Affordable Apartments

Staff Recommendations

That the SDHC Board of Commissioners:

1. Approve preliminary steps to issue up to \$16,000,000 in a tax-exempt Multifamily Housing Revenue bonds for Merge 56 Affordable Apartments, including:
 - Issue a bond inducement resolution
 - Authorize a bond allocation application to the California Debt Limit Allocation Committee (CDLAC) for the tax-exempt bonds.
 - Approve Bond Counsel and Financial Advisor.
 - Bond final approval will occur at a later date.
2. Authorize SDHC's President & CEO, or designee, to execute necessary documents in a form approved by General Counsel and Bond Counsel and take necessary actions upon advice of General Counsel.
3. Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and adopt a resolution approving the issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$16,000,000 for Merge 56 Affordable Apartments.



Questions & Comments

