



REPORT

DATE ISSUED: November 12, 2015

REPORT NO: HCR15-092

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 20, 2015

SUBJECT: Mission Gorge Apartments - Preliminary Bond Items

COUNCIL DISTRICT: 7

REQUESTED ACTION

Take the initial steps to issue Housing Authority of the City of San Diego multifamily housing revenue bonds to fund the land acquisition and development of Mission Gorge Apartments, a 90-unit multifamily affordable housing development located in the Navajo Community.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) and San Diego City Council (City Council) take the following actions, as described in this report.

- 1) Recommend the Housing Authority approve a bond inducement resolution (a declaration of official intent) for up to \$24,000,000 in multifamily housing revenue bonds for the development of Mission Gorge Apartments by a limited partnership composed of an affiliate of Chelsea Investment Corporation (Chelsea), Southern California Housing Collaborative, and a tax credit investor;
 - a. Approve an application (and subsequent applications, if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax exempt “private activity bonds” in an amount up to \$24,000,000 by the Housing Authority for Mission Gorge Apartments;
- 2) Recommend the City Council hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and adopt a resolution approving the issuance of multifamily housing revenue bonds in an amount up to \$24,000,000 by the Housing Authority for Mission Gorge Apartments;
- 3) Authorize the President and Chief Executive Officer (President & CEO) of the Housing Commission, or designee, to execute all necessary documents and instruments to effectuate the transaction and implement the project, in a form approved by General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of General Counsel;

SUMMARY

Mission Gorge Apartments is a proposed 90-unit new construction affordable housing development at 7811 Mission Gorge Road in the Navajo Community Planning Area. The Housing Commission on November 21, 2014 (HCR14-100) and the Housing Authority on December 9, 2014 (HAR14-039) approved three

actions: (A) a residual receipts loan of \$9,600,000; (B) entry into an option agreement to purchase the adjacent land, approximately 1.75 undeveloped acres legally known as assessor parcel number 456-400-17-00; and (C) initial steps to issue up to \$19,000,000 in tax-exempt multifamily housing revenue bonds.

In addition, on December 9, 2014, the City Council held an Internal Revenue Service (IRS) required TEFRA hearing for Mission Gorge Apartments. However, the IRS requires that the TEFRA public hearing and the approval of the bonds by elected representatives occur no more than one year prior to the date of the issuance of the bonds.

Due to unforeseen delays in negotiations related to the relocation of a cell phone tower on the property and finalizing amendments to the cell phone tower lease agreement, the bonds will not be issued until early 2016, which is beyond the one-year IRS requirement. Furthermore, as a result of this delay and increases in construction costs since the original approvals, Chelsea has requested that the previously approved bond issuance amount be increased to up to \$24,000,000.

Chelsea’s to-be-formed Limited Partnership also intends to apply for a bond allocation from the California Debt Limit Allocation Committee (CDLAC) in December 2015. CDLAC requires a current TEFRA approval at the time of the developer’s bond allocation application. Consequently, the additional TEFRA hearing by the City Council is needed to meet IRS and CDLAC requirements and for the interest on the multifamily housing revenue bonds to be tax-exempt.

With the exception of the increase in the bond inducement amount, all other previously approved Housing Authority actions, terms and conditions (Attachment 1) will remain the same, and the Housing Commission’s previously approved \$9,600,000 loan amount will not increase.

FINANCING STRUCTURE

The revised total development cost for Mission Gorge Apartments is \$32,066,033 (\$356,289 per unit), and the development will be financed through a combination of 4 percent tax credits, multifamily housing revenue bonds, and a Housing Commission loan. In addition, Chelsea has obtained a commitment for a \$1.8 million subordinate loan from Citi to cover the additional gap due to increased development costs.

The total development cost and sources and uses of funds are detailed in the revised pro forma attached to this report (Attachment 2) and summarized below.

Table 1 - Sources & Uses of Permanent Financing

Sources of Funding		Uses of Funding	
4% Tax Credit Equity	\$ 11,420,276	Land Acquisition	\$ 6,575,000
Conventional Loan	7,624,000	Hard Cost (with 5% Hard Cost Contingency)	16,585,348
Citi Subordinate Loan	1,800,000	Soft Costs	4,442,520
Housing Commission Loan (HOME, Inclusionary, HTF Linkage)	9,600,000	Financing Costs	1,717,805
Subordinate Deferred Developer Fee	1,100,000	Reserves	245,360
Deferred Developer Fee	271,017	Developer Fee	2,500,000
Soft Loan Interest	250,740		
Total Project Sources	\$ 32,066,033	Total Project Uses	\$ 32,066,033

Table 2 – Key Performance Indicators

Development Cost Per Unit	\$32,066,033 ÷ 90 units =	\$356,289
Housing Commission Subsidy Per Unit	\$9,600,000 ÷ 90 units =	\$106,667
Land Cost Per Unit	\$6,575,000 ÷ 90 units =	\$73,056
Gross Building Square Foot Hard Cost	\$16,585,348 ÷ 87,888 sq. ft. =	\$189
Net Rentable Square Foot Hard Cost	\$16,585,348 ÷ 73,240 sq. ft. =	\$226

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest-rate financing (and make federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured no later than 30 days after applicant submittal. These actions do not obligate the Housing Authority to issue bonds.

A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 3. It is anticipated that the development will receive a bond allocation at CDLAC’s March 2016 meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the project.

Estimated Development Schedule

The revised development timeline:

Milestones	Estimated Dates
• Housing Authority for preliminary consideration	• December 8, 2015
• City Council IRS-required TEFRA hearing	• December 8, 2015
• Applications: TCAC tax credit & CDLAC bonds	• December 15, 2015
• TCAC and CDLAC allocation meetings	• March 16, 2016
• Housing Commission proposed final bond/note authorization	• March 2016
• Housing Authority proposed final bond/note authorization	• March 2016
• Estimated bond/note issuance and escrow closing	• March 2016
• Estimated start of construction work	• April 2016
• Estimated completion of construction work	• November 2017

AFFORDABLE HOUSING IMPACT

Under the proposed financing, Mission Gorge Apartments will restrict units to households with incomes at or below 50 to 60 percent of the San Diego Area Median Income (AMI). Units will be restricted for a 55-year term. The following are the proposed rents:

Table 3 – Affordability and Monthly Estimated Rents

Unit Type	Square Footage	Restrictions	Area Median Income (AMI)	Units	Estd Monthly Net Rents *
Studio	350	Tax Credits	60 Percent	1	\$809
Studio	350	Tax Credits	50 Percent	1	671
1 Bedroom / 1 Bath	560	Tax Credits	60 Percent	23	865
1 Bedroom / 1 Bath	560	Tax Credits	50 Percent	2	717
2 Bedroom / 1 Bath	800	Tax Credits	60 Percent	32	1,036
2 Bedroom / 1 Bath	800	Tax Credits	50 Percent	4	858
3 Bedroom / 2 Bath	1,050	Bonds	60 Percent	24	1,143
3 Bedroom / 2 Bath	1,050	Bonds	50 Percent	2	946
3 Bdrm Manager’s Unit	1,050	--	--	1	--
Total Units				90	

* Estimated net rents after utilities allowance deduction.

The tax credit restricted units and the HOME restricted units may be counted against the same specific units.

The more stringent of the funding sources’ affordability/rent restrictions will take precedence during the term of their applicability. TCAC’s AMI formula calculations will differ from the HUD AMI formula calculations.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action were not budgeted in the Housing Commission Fiscal Year (FY) 2016 budget. Approving this action will impact the FY 2016 budget. An additional \$47,500 in bond issuance fees will be collected upon close of escrow.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - \$47,500

Funding uses approved by this action will be as follows:

Reserved for future use and will be included in local bond reserve balance.

PREVIOUS COUNCIL and COMMITTEE ACTIONS:

A \$9,600,000 residual receipts loan along with approval of initial steps to issue \$19,000,000 in multifamily housing bonds for Mission Gorge Apartments were approved by the Housing Commission on November 21, 2014, in report HCR14-100, and by the Housing Authority on December 9, 2014, in report HAR14-039.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Mission Gorge is located in the Navajo Community Plan Area. Chelsea presented an informational item to the Navajo Neighborhood Community Planning Group on October 20, 2014.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Chelsea, Southern California Housing Collaborative, the Navajo Neighborhood and Navajo Community Plan Area. Development of the property is expected to have a positive impact on the community because it will provide affordable rental units, serving low- and very low-income families.

ENVIRONMENTAL REVIEW

The development activity supported by the proposed actions is covered under the Final Program Environmental Impact Report for the Grantville Redevelopment Project Area, which was certified by the City Council of the City of San Diego on May 3, 2005, and prepared in accordance with California Environmental Quality Act (CEQA) guidelines. The Development Services Department conducted a Consistency Review for the project, including preparation of an Initial Study Checklist in accordance with State CEQA Guidelines Section 15162 in November 2014. Additionally, requirements of the adopted Final Mitigation, Monitoring and Reporting Program (MMRP) for the Final EIR will be applied at the time of project review and permitting. HOME Investment Partnerships Program (HOME) funds constitute a portion of the funding for the project. A final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of subsequent environmental review under NEPA.

Respectfully submitted,

Cameron Shariati

Cameron Shariati
Assistant Real Estate Manager
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Attachments: 1) HAR14-039 (Loan Approval and Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for Mission Gorge Apartments)
2) Pro Forma
3) Multifamily Housing Revenue Bond Program Summary

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



REPORT TO THE CITY COUNCIL & HOUSING AUTHORITY

DATE ISSUED: November 17, 2014

REPORT NO: HAR14-039

ATTENTION: Members of the City Council and Housing Authority of the City of San Diego
For the Agenda of December 9, 2014

SUBJECT: Loan Approval and Preliminary Items Pursuant to Issuing Multifamily
Housing Revenue Bonds for Mission Gorge Apartments

COUNCIL DISTRICT: 7

REQUESTED ACTION

Approval of an up to \$9,600,000 residual receipts loan, and take the initial steps to issue Housing Authority of the City of San Diego multifamily housing revenue bonds to fund the land acquisition and development of Mission Gorge Apartments, a 90-unit multifamily affordable housing development located in the Navajo Community.

STAFF RECOMMENDATION

- 1) That the Housing Authority of the City of San Diego (Housing Authority) approve a residual receipts loan in an amount not to exceed \$9,600,000 to a limited partnership composed of Chelsea Investment Corporation (CIC), Southern California Housing Collaborative, and a tax credit investor to finance the acquisition and development of Mission Gorge Apartments;

The San Diego Housing Commission's (Housing Commission) proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments, including 4 percent tax credits;

- 2) That the Housing Authority approve a bond inducement resolution (a declaration of official intent) for up to \$19,000,000 in multifamily housing revenue bonds for the development of Mission Gorge Apartments by a limited partnership composed of an affiliate of CIC, Southern California Housing Collaborative, and a tax credit investor;
 - a. Approve an application (and subsequent applications, if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax exempt "private activity bonds" in an amount up to \$19,000,000 by the Housing Authority for Mission Gorge Apartments;
- 3) That the San Diego City Council (City Council) hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and adopt a resolution approving the issuance of multifamily housing revenue bonds in an amount up to \$19,000,000 by the Housing Authority for Mission Gorge Apartments;
- 4) Approve the financing team of Squire Sanders LLP as bond counsel and Ross Financial as financial advisor to begin work on the development;

- 5) Approve entry into an option agreement whereby the Housing Commission will have the option to take fee simple title to the 1.75 acre site immediately adjacent to the site of the affordable project (legally referred to as assessor parcel number 456-400-17-00) and authorize the Housing Commission to exercise the option and take fee simple title to such property for a total consideration of \$1.00, plus closing costs; and
- 6) Authorize the President and Chief Executive Officer (President & CEO) of the Housing Commission, or designee, to:
 - a. Execute all necessary documents and instruments to effectuate the transaction and implement the project, in a form approved by General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of General Counsel;
 - b. Adjust financing terms/conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes, not to exceed the maximum Housing Commission loan amount of \$9,600,000; and
 - c. Substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon the advice of General Counsel.

SUMMARY

The Affordable Housing Development

Mission Gorge Apartments is a proposed new construction development located at 7811 Mission Gorge Road in the Navajo Community Planning area (Attachment 1). The development site encompasses two parcels (Parcel A and Parcel B) consisting of approximately 176,418 square feet, or 4.05 acres. Each parcel has separate zoning designations (Attachment 2): Parcel A is zoned commercial neighborhood (CN-1-2) and Parcel B is zoned residential single unit (RS-1-7). Parcel A is approximately 2.3 acres of developed commercial land. Parcel B is approximately 1.75 acres of undeveloped land. Surrounding land uses to the site include low density (5-9 dwelling units per acre) single family residential development to the north, low density (5-9 dwelling units per acre) single family residential development to the east, medium density (15-29 dwelling units per acre) multi-family residential to the south, low-medium density (10-14 dwelling units per acre) and multi-family residential to the west across Mission Gorge Road.

There was strong interest in the site from the development community. The seller received multiple offers and narrowed down their selection to two developers. CIC was selected over a market rate developer. Projects located north of Interstate 8 are a priority in the Housing Commission's current Notice of Funding Availability (NOFA) due to the limited number of developments north of Interstate 8 and the City's Balanced Communities Policy. The Navajo Community currently has nine rent-restricted affordable housing units and the Housing Commission has provided loan financing to only two affordable housing developments north of Interstate 8 in the previous 10 years. This is an opportunity to increase the affordable housing supply north of Interstate 8. Land costs are higher north of Interstate 8; CIC has entered into a purchase and sale agreement to acquire the site for \$6,550,000 (\$72,777 per unit).

The underlying zoning of Parcel A permits a maximum residential density of 67 units. State Density Bonus Law permits up to a 35 percent increase in density allowing Parcel A to net 90 units. Parcel B will require rezoning to allow for the development of multifamily housing. In addition, Parcel B irregular shape and the topography is generally sloping hillside making development of the site infeasible at this time. The seller is requiring the purchaser to acquire both parcels. CIC is proposing to redevelop Parcel A and build 90 units of affordable housing and leave Parcel B in its current condition. The eastern property line of Parcel A is bordered by Parcel B which would serve as a buffer between the proposed multi-family development and single family residential to the east.

As a condition of funding, Housing Commission staff has negotiated the option to take fee simple ownership of Parcel B. The Housing Commission will enter into an option agreement at closing, which will give the Housing Commission the option for 18 months to acquire Parcel B for \$1.00. During that time Housing Commission staff will evaluate the legal, financial and potential land uses for Parcel B. Housing Commission staff will engage consultants to assist in the evaluation of the site. The Housing Commission may exercise the option and acquire Parcel B, if it is determined to the satisfaction of the President & CEO that Parcel B is financially viable for development and suitable for use by the Housing Commission.

Mission Gorge Apartments is designed as three stories of housing over subterranean parking. The 88,140 gross square feet of residential space includes a unit mix consisting of two studio, 25 one-bedroom, 36 two-bedroom and 27 three-bedroom units, a multipurpose recreational room, leasing office, laundry facilities, exterior courtyard space and an outdoor recreation area. Mission Gorge Apartments will incorporate sustainable design features to meet Housing Commission Sustainability Guidelines and will include Energy Star appliances, energy- and water-efficient fixtures, low Volatile Organic Compounds (VOC) paints, native drought-tolerant landscaping and high-efficiency irrigation. The development will provide free service amenities, which may include adult education, health and wellness, skill building or after-school programs for children.

The CN-1-2 zoning designation allows for a maximum building height of 30 feet and requires the design of 121 subterranean parking spaces to achieve 90 units of housing. To offset some of the submerged parking cost, the architect has maximized the site area of Parcel A and incorporated 25 surface parking spaces.

Table 1 – Affordable Housing Development Details

Address	7811 Mission Gorge Road
Site Area	Parcel A 2.30 Acres 100,188 sf Parcel B 1.75 Acres 76,230 sf Total 4.05 Acres 176,418 sf
Units	90
Density	39 dwelling units per acre (Parcel A)
Unit Mix	Studio, 1-Bedroom, 2-Bedroom, 3-Bedroom
Net Residential Space	88,140 Square Feet
Height	3 Stories over subterranean parking podium
Parking	121 Subterranean 25 Surface 146 Total Parking Spaces

Relocation

Parcel A is currently developed as 16,835 square feet of commercial buildings occupied by businesses serving the surrounding neighborhood. A total of 11 commercial businesses currently occupy the space and are potentially subject to the Uniform Relocation Act if the site is redeveloped. CIC has engaged Overland, Pacific & Cutler, Inc. to complete a preliminary relocation plan. The preliminary budget for relocation-related payments is \$506,000 including a 10 percent contingency, and has been included in the development budget. If the site is developed, the commercial buildings will be demolished during construction.

Development Team

During the 15-year tax credit compliance period, Mission Gorge Apartments will be developed and owned by a California limited partnership (a single-asset limited partnership) consisting of: 1) an affiliate of CIC as the Administrative General Partner; 2) Southern California Housing Collaborative as Managing General Partner; and 3) a tax credit limited partner.

Since forming in 1984, CIC, located in Carlsbad, California, has financed and developed more than 6,582 affordable housing units. CIC has 335 affordable units currently under construction in San Diego. CIC provides financial, engineering, development, asset management and property management services. CIC will be responsible for development. Emmerson Construction, an affiliate of CIC, will construct the project.

The Managing General Partner, Southern California Housing Collaborative is a nonprofit 501(c)(3) organization, established in 2008 with a mission to find affordable housing opportunities for persons with developmental disabilities. Since its inception Southern California Housing Collaborative has assisted in placing more than 100 developmentally disabled households into permanent affordable housing. Most recently Southern California Housing Collaborative has acted as managing general partner in two of Chelsea’s Low-Income Housing Tax Credit properties. Both developments are currently under construction.

Statements for public disclosure for CIC and Southern California Housing Collaborative are included as Attachment 3.

Table 2 - Development Team

Role	Firm/Contact
Partnership	To Be Formed Limited Partnership: Administrative General Partner: Chelsea Investment Corporation Managing General Partner: Southern California Housing Collaborative Limited Partner: To be determined
Developer	Chelsea Investment Corporation
Architect	The McKinley Associates Incorporated
Civil Engineer	Latitude 33
General Contractor	Emmerson Construction Incorporated
Property Manager	CIC Management Incorporated

FINANCING STRUCTURE

Mission Gorge Apartments has an estimated total development cost of \$29,121,428 and will be financed through a combination of 4 percent tax credits, multifamily housing revenue bonds, and Housing Commission loan.

The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission's Loan (Attachment 4).

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest-rate financing (and make federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured no later than 30 days after applicant submittal. These actions do not obligate the Housing Authority to issue bonds.

It is anticipated that the development will receive a bond allocation at CDLAC's May 2015 meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the project. A detailed schedule of proposed dates is described in Attachment 5. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 6.

The total development cost and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 7) and summarized below. A development summary is provided as Attachment 8.

Table 3 - Sources & Uses of Permanent Financing

Sources of Funding		Uses of Funding	
4% Tax Credit Equity	\$ 9,973,866	Land Acquisition	\$ 6,550,000
Conventional Loan	8,114,000	Hard Cost (with 5% Hard Cost Contingency)	14,433,017
Housing Commission Loan (HOME, Inclusionary, HTF Linkage)	9,600,000	Soft Costs	3,849,844
Subordinate Deferred Developer Fee	1,100,000	Financing Costs	1,547,290
Deferred Developer Fee	150,862	Reserves	241,277
Soft Loan Interest	182,700	Developer Fee	2,500,000
Total Project Sources	\$ 29,121,428	Total Project Uses	\$ 29,121,428

Total Development Cost Per Unit

Development Cost Per Unit	\$323,571
---------------------------	-----------

Funding Request

Housing Commission Total Subsidy	\$9,600,000
Housing Commission Subsidy per Unit	\$106,667

The proposed Housing Commission loan will be funded with up to \$2,000,000 in U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program funds granted to the City of San Diego (City) and administered by the Housing Commission, and up to \$7,600,000 from the City Affordable Housing Fund (Inclusionary Housing funds and Linkage revenues). The total amount of funding sources shall not exceed \$9,600,000, a final determination of Housing Commission funding sources will be made by the Housing Commission's President & CEO, or designee, contingent upon budget availability. The Housing Commission's loan will be a residual receipts loan.

Housing Commission staff has negotiated a purchase option at year 15, the end of the tax credit compliance period. The Housing Commission shall have first right of refusal to purchase the improvements at the end of the 15-year tax credit compliance period. The Housing Commission and limited partnership will enter into an option agreement, whereby the Housing Commission will have the option to purchase the improvements at any time during the two-year period beginning at the end of the 15-year tax credit compliance period for an amount equal to the greater of: (i) the fair market value of the improvements; or (ii) the sum of the limited partner's related exit taxes, the forgiveness of all principal and interest on the Housing Commission's loan, plus assumption of the first position loan.

AFFORDABLE HOUSING IMPACT

Under the proposed financing, Mission Gorge Apartments will restrict units to households with incomes at or below 50 to 60 percent of the San Diego Area Median Income (AMI). Units will be restricted for a 55-year term. The following are the proposed rents:

Table 4 – Affordability and Monthly Estimated Rents

Unit Type	Square Footage	Restrictions	Area Median Income (AMI)	Units	Estd Monthly Net Rents *
Studio	350	Tax Credits	60 Percent	1	\$809
Studio	350	Tax Credits	50 Percent	1	671
1 Bedroom / 1 Bath	560	Tax Credits	60 Percent	23	865
1 Bedroom / 1 Bath	560	Tax Credits	50 Percent	2	717
2 Bedroom / 1 Bath	800	Tax Credits	60 Percent	32	1,036
2 Bedroom / 1 Bath	800	Tax Credits	50 Percent	4	858
3 Bedroom / 2 Bath	1,050	Bonds	60 Percent	24	1,143
3 Bedroom / 2 Bath	1,050	Bonds	50 Percent	2	946
3 Bdrm Manager's Unit	1,050	--	--	1	--
Total Units				90	

* estimated net rents after utilities allowance deduction.

The tax credit restricted units and the HOME restricted units may be counted against the same specific units.

The more stringent of the funding sources' affordability/rent restrictions will take precedence during the term of their applicability. TCAC's AMI formula calculations will differ from the HUD AMI formula calculations.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action will be budgeted in the Housing Commission Fiscal Year (FY) 2016 budget. Approving this action will have no impact on the FY 2015 budget.

Approving this action will result in the development of 89 affordable housing units and one manager's unit at an average cost to the Housing Commission of \$106,667 per unit (at a Housing Commission loan amount of \$9,600,000).

Fiscal Year 2016 funding sources approved by this action will be as follows:

HOME Investment Partnerships Program Funds – \$2,000,000

Inclusionary Housing Fund – \$7,100,000

Housing Trust Fund Linkage Revenues - \$500,000

Total Funding Sources –\$9,600,000

Fiscal Year 2016 funding uses approved by this action will be as follows:

Loans –\$9,600,000

Total Funding Uses –\$9,600,000

Approving this action will further grant the President & CEO, or designee, the authority to substitute the above funding sources with other available funding sources provided that the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

This item is scheduled to be heard at the November 21, 2014 Housing Commission meeting.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Mission Gorge is located in the Navajo Community Plan Area. CIC presented an informational item to the Navajo Neighborhood Community Planning Group on October 20, 2014.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include CIC, Southern California Housing Collaborative, the Navajo Neighborhood and Navajo Community Plan Area. Development of the property is expected to have a positive impact on the community because it will provide affordable rental units, serving low- and very low-income families.

ENVIRONMENTAL REVIEW

The development activity supported by the proposed actions is covered under the Final Program Environmental Impact Report for the Grantville Redevelopment Project Area, which was certified by the City Council of the City of San Diego on May 3, 2005, and prepared in accordance with California Environmental Quality Act (CEQA) guidelines. The Planning Department conducted a Consistency Review for the project in accordance with State CEQA Guidelines Section 15162 in November 2014. Additionally, requirements of the adopted Final Mitigation, Monitoring and Reporting Program (MMRP) for the Final EIR will be applied at the time of project review and permitting. HOME Investment Partnerships Program (HOME) funds constitute a portion of the funding for the project. A final reservation of HOME funds shall occur only upon satisfactory completion of environmental review

November 17, 2014

Loan Recommendation and Preliminary Bonds Items for Mission Gorge Apartments

Page 8

and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of subsequent environmental review under NEPA.

Respectfully submitted,

Ted Miyahara

Ted Miyahara
Director of Housing Finance
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

- Attachments:
- 1) Site Map
 - 2) Parcel Identification Map
 - 3) Developer Disclosure Statements
 - a. Chelsea Investment Corporation
 - b. Southern California Housing Collaborative
 - c. Emmerson Construction
 - 4) Term Sheet
 - 5) Project Schedule
 - 6) Multifamily Housing Revenue Bond Program Summary
 - 7) Pro Forma
 - 8) Development Summary

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

SOURCES AND USES SUMMARY			
Development Costs			
Acquisition			
Land	\$2,799,564/acre	\$71,389/unit	6,425,000
Existing Improvements		\$0/unit	0
Basis Eligible Entitlement Costs		\$1,667/unit	150,000
Subtotal Acquisition		\$73,056/unit	6,575,000
Hard Costs			
Architecture (Design Build)		\$5,933/unit	533,960
Sitework		\$886,911/acre	2,035,460
Parking	121 stalls	\$15,909/stall	1,925,000
Vertical	\$104.94/gsf	\$102,751/unit	9,247,615
GCs		\$20,546/unit	1,849,130
Contingency		\$11,046/unit	994,182
Subtotal Hard Costs	\$188.21/gsf	\$184,282/unit	16,585,348
Soft Costs			
A&E	2.88% of GC	\$5,302/unit	477,136
Financing Fees and Interest		\$19,087/unit	1,717,805
Legal Fees		\$3,083/unit	277,500
Reserves		\$2,726/unit	245,360
Reports and Studies		\$1,372/unit	123,500
Development Impact and Permit Fees		\$19,597/unit	1,763,690
Developer Fee		\$27,778/unit	2,500,000
Misc (App Fees, Acctg, Marketing, Other)		\$18,805/unit	1,692,425
Contingency		\$1,203/unit	108,270
Subtotal Soft Costs		\$98,952/unit	8,905,685
Total Development Costs		\$356,289/unit	32,066,033
Sources			
Federal LIHTC Equity		36%	11,420,276
Other: Citi Sub Loan		6%	1,800,000
Solar LIHTC Equity		0%	0
Permanent Loan		24%	7,624,000
Deferred Developer Fee		1%	271,017
Subordinate Deferred Developer Fee		3%	1,100,000
SDHC Loan		30%	9,600,000
Soft Loan Interest		1%	250,740
Income From Operations During Stabilization		0%	0
Total Development Sources		100%	32,066,033

FINANCING ASSUMPTIONS				
Equity				
9% Credit Rate	Nov-15		N/A	
4% Credit Rate	Nov-15		3.20%	
10 Yr Federal Tax Credits			10,062,923	
3 Yr State Credits			\$ -	
Solar Credits			\$ -	
Federal Tax Credit Price			\$ 1.1350	
State Tax Credit Price			\$ -	
Solar Tax Credit Price			\$ -	
IRR - Quarterly Effective			5.65%	
Debt				
Opr. Exp./Unit/Year			5,102	
Replacement Reserves/Unit/Year			250	
Vacancy Rate			5.00%	
DCR			1.15	
Perm Loan Amort			35	
Interest Rate - Permanent Loan			5.25%	
Interest Rate - Construction Loan			3.15%	
Tax- Exempt Bonds - Construction/Perm			7,624,000	
Tax- Exempt Bonds - Construction			11,702,006	
Tax- Exempt Bonds - C Bond			0	
Total Bonds			19,326,006	
Tax Credit Considerations				
DDA/QCT Boost			130%	
Rural Designation			No	
50% Test			63.13%	
CA 9% Site Amenity Score			15	
CA 9% Tiebreaker			N/A	
Housing Set Aside			Family	
Prevailing Wage (State, Federal, Both):			None	
	2017	Solar	State	Fed
1st Yr Credit Delivery	0	0	0	503,096
2nd Yr Credit Delivery	0	0	0	1,006,192
3rd Yr Credit Delivery	0	0	0	1,006,192

PRELIM DEVELOPMENT PROGRAMMING SUMMARY	
Location:	San Diego (Mission Gorge)
Site (acres):	2.295
Construction Type:	Type V
No. of Stories:	3
Parking Type:	Subteranean 1 level + surface parking
No. of Stalls:	121
Extraordinary Cond:	None known
Impact Fees per Unit:	17,319
Total No. of Units:	90
Proposed Unit Mix:	See below
Financing Sources:	SDHC (HOME), Bonds and 4% Credits

PROJECT UNIT & INCOME MIX					
AMI Sq. Ft.	Studio	1BR	2BR	3BR	Totals
60%	2	22	32	24	80
55%	0	0	0	0	0
50%	1	2	4	2	9
45%	0	0	0	0	0
40%	0	0	0	0	0
35%	0	0	0	0	0
30%	0	0	0	0	0
Mgr.	0	0	0	1	1
Totals	3	24	36	27	90
Common	1,600	Net SF	73,240	Cost psf	\$ 226.45
Eff Loss	17%	Gross SF	87,888	Cost psf	\$ 188.71

PROJECT TIMING	
Tax Credit Allocation	12/1/15
Construction Begin - Initial Closing	3/1/16
Construction Complete	6/1/17
Lease Up Complete	9/1/17
Conversion/Stabilization	12/1/17
8609	6/1/18

15 YEAR CASH FLOW

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Net Income	526,453	1,073,964	1,095,443	1,117,352	1,139,699	1,162,493	1,185,743	1,209,458	1,233,647	1,258,320	1,283,486	1,309,156	1,335,339	1,362,046	1,389,287
Operating Exp	229,585	472,946	487,134	501,748	516,801	532,305	548,274	564,722	581,664	599,114	617,087	635,600	654,668	674,308	694,537
NOI	296,868	601,018	608,309	615,604	622,898	630,188	637,469	644,736	651,983	659,206	666,399	673,556	680,672	687,738	694,750
Debt Service	39,701	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417	476,417
Reserves	11,250	22,500	23,175	23,870	24,586	25,324	26,084	26,866	27,672	28,502	29,357	30,238	31,145	32,080	33,042
DCR	0.00	1.17	1.18	1.19	1.21	1.22	1.23	1.25	1.26	1.27	1.29	1.30	1.31	1.33	1.34

Task Name	Development Model	Operating Budget	Predev Budget	Impact Fees	Construction Period A&E	SOV	Notes
Date	MG	AG	RB /MG	RB	RB	TG	
	Jul-15	Feb-15	Dec-14	Dec-14	Dec-14	Jul-15	

PROJECTED SOURCES AND USES OF FUNDS

7811 Mission Gorge
90 units

1,128,983

	Pre-Dev	Construction Period 12 months					Construction Subtotal	Completion/BE Qtrs 6 & 7	Conversion	8609	Total	
		Close	Quarter 1	Quarter 2	Quarter 3	Quarter 4						Quarter 5
SOURCES OF FUNDS			0%	25%	25%	25%	25%					
1 Federal LIHTC Equity		1,000,000	-	-	-	-	-	1,000,000	-	10,170,276	250,000	11,420,276
2 State LIHTC Equity	0	-	-	-	-	-	-	-	-	-	-	-
3 Solar Equity		-	-	-	-	-	-	-	-	-	-	-
4 Construction Loan	587,290	4,560,954	3,054,349	5,578,867	716,259	3,166,994	3,237,429	20,902,141	(1,576,135)	(19,326,006)	-	-
5 Permanent Loan		-	-	-	-	-	-	-	-	7,624,000	-	7,624,000
6 Deferred Developer Fee		-	-	-	-	-	-	-	-	271,017	-	271,017
7 Subordinate Deferred Developer Fee		-	-	-	-	-	-	-	-	1,100,000	-	1,100,000
8 C Bond		-	-	-	-	-	-	-	-	-	-	-
9 SDHC Loan	9,600,000	4,800,000	-	2,400,000	-	-	-	7,200,000	1,920,000	480,000	-	9,600,000
10 Other: Citi Sub Loan		-	-	-	-	-	-	-	-	1,800,000	-	1,800,000
11 Other:		-	-	-	-	-	-	-	-	-	-	-
12 Soft Loan Interest		-	37,800	37,800	50,400	56,700	68,040	250,740	-	-	-	250,740
13 Income From Operations During Stabilization		-	-	-	-	-	-	-	-	-	-	-
14 Total Sources of Funds	587,290	10,360,954	3,092,149	5,616,667	3,166,659	3,223,694	3,305,469	29,352,881	343,865	2,119,287	250,000	32,066,033
USES OF FUNDS												
ACQUISITION												
19 Land Cost		6,425,000	-	-	-	-	-	6,425,000	-	-	-	6,425,000
24 Existing Improvement Costs		-	-	-	-	-	-	-	-	-	-	-
25 Other: Entitlements and Plans		150,000	-	-	-	-	-	150,000	-	-	-	150,000
26 Total Land / Acquisiton		6,575,000	-	-	-	-	-	6,575,000	-	-	-	6,575,000
RELOCATION												
41 Relocation Admin		89,500	-	-	-	-	-	89,500	-	-	-	89,500
42 Permanent Relocation Expense		506,000	-	-	-	-	-	506,000	-	-	-	506,000
43 Total Relocation		595,500	-	-	-	-	-	595,500	-	-	-	595,500
NEW CONSTRUCTION												
46 Architecture Design Build (no mark up)		-	533,960	-	-	-	-	533,960	-	-	-	533,960
47 Site Work	\$886.91/acre	-	1,017,730	1,017,730	-	-	-	2,035,460	-	-	-	2,035,460
48 Parking Garage	\$15,909/strall	-	962,500	962,500	-	-	-	1,925,000	-	-	-	1,925,000
49 Vertical	\$104.94/sq ft	-	-	2,311,904	2,311,904	2,311,904	2,311,904	9,247,615	-	-	-	9,247,615
50 Contractor Contingency	6%	-	118,814	257,528	138,714	138,714	138,714	792,484	-	-	-	792,484
50 General Requirements	6%	-	118,814	257,528	138,714	138,714	138,714	792,484	-	-	-	792,484
51 Contractor Overhead	2%	-	39,605	85,843	46,238	46,238	46,238	264,161	-	-	-	264,161
52 Contractor Profit	6%	-	118,814	257,528	138,714	138,714	138,714	792,484	-	-	-	792,484
53 Contractor General Liability Insurance		-	-	-	-	-	-	-	-	-	-	-
54 Other:		-	-	-	-	-	-	-	-	-	-	-
55 Total New Construction		-	2,910,236	5,150,560	2,774,284	2,774,284	2,774,284	16,383,650	-	-	-	16,383,650
ARCHITECTURAL												
57 Building	In GC contract	0	-	-	-	-	-	-	-	-	-	-
59 Landscape		34,440	7,380	-	1,845	1,845	1,845	1,845	49,200	-	-	49,200
60 Energy Consultant		35,000	7,500	-	1,875	1,875	1,875	1,875	50,000	-	-	50,000
61 Other: Acoustic Study		3,500	-	-	-	-	-	3,500	-	-	-	3,500
62 Other: Traffic Study		3,900	-	-	-	-	-	3,900	-	-	-	3,900
63 Other:		-	-	-	-	-	-	-	-	-	-	-
64 Total Architectural		76,840	14,880	-	3,720	3,720	3,720	106,600	-	-	-	106,600
SURVEY & ENGINEERING												
67 Civil (includes ALTAs)		134,400	28,800	-	7,200	7,200	7,200	192,000	-	-	-	192,000
68 ALTA		0	-	-	-	-	-	-	-	-	-	-
69 Staking		0	-	10,500	10,500	10,500	10,500	42,000	-	-	-	42,000
70 Structural Testing		0	-	12,500	12,500	12,500	12,500	50,000	-	-	-	50,000
71 Soils Testing		0	-	8,750	8,750	8,750	8,750	35,000	-	-	-	35,000
72 Other: Phase I & II		7,500	-	-	-	-	-	7,500	-	-	-	7,500
73 Other: soils report (borings)		12,036	-	-	-	-	-	12,036	-	-	-	12,036
74 Other: Solar/Cell Tower/Utility Consultants		32,000	-	-	-	-	-	32,000	-	-	-	32,000
75 Total Survey & Engineering		185,936	28,800	-	38,950	38,950	38,950	370,536	-	-	-	370,536
CONTINGENCY COSTS												
78 Hard Cost Contingency (Includes \$175K allowance for cell tc	5%	-	180,512	292,528	173,714	173,714	173,714	994,182	-	-	-	994,182
79 Soft Cost Contingency	3%	-	78,363	41	5,056	6,369	8,030	10,412	-	-	-	108,270
80 Total Contingency		-	78,363	180,553	297,584	180,083	181,744	1,102,452	-	-	-	1,102,452
CONSTRUCTION PERIOD EXPENSES												
83 Construction Loan Interest		-	48,560	79,240	110,409	122,483	162,536	523,228	318,865	-	-	842,093
84 C Bond Loan Interest		-	-	-	-	-	-	-	-	-	-	-
85 Soft Loan Interest		-	37,800	37,800	50,400	56,700	68,040	250,740	-	-	-	250,740
86 Origination Fee	1.00%	209,021	-	-	-	-	-	209,021	-	-	-	209,021
87 Credit Enhancement & Application Fee		-	-	-	-	-	-	-	-	-	-	-
88 Owner Paid Bonds		-	-	-	-	-	-	-	-	-	-	-
89 Lender Inspection Fees		-	7,500	7,500	7,500	7,500	7,500	37,500	-	-	-	37,500
90 Taxes During Construction		2,500	-	-	-	-	-	2,500	-	-	-	2,500
91 Other: Application fee		-	-	-	-	-	-	-	-	-	-	-
92 Insurance During Construction		65,000	-	-	-	-	-	65,000	-	-	-	65,000
93 Title and Recording Fees		40,000	-	-	-	-	-	40,000	-	20,000	-	60,000
94 Construction Mgmt. and Monitoring	0	-	-	-	-	-	-	-	-	-	-	-
95 Predevelopment Loan Interest		30,000	-	-	-	-	-	30,000	-	-	-	30,000
96 Other: SDHC Ap, Orig, Servicing, Legal, Const Review		13,000	137,950	-	-	-	-	150,950	-	-	-	150,950
97 Other: Bond Performance Deposit	\$0/unit	100,000	(100,000)	-	-	-	-	-	-	-	-	-
98 Total Construction Period Expense		113,000	484,471	(6,140)	124,540	168,309	186,683	238,076	1,308,939	318,865	20,000	1,647,805

PROJECTED SOURCES AND USES OF FUNDS

7811 Mission Gorge
90 units

1,128,983

	Pre-Dev	Construction Period 12 months					Construction Subtotal	Completion/BE Qtrs 6 & 7	Conversion	8609	Total		
		Close	Quarter 1	Quarter 2	Quarter 3	Quarter 4						Quarter 5	
			0%	25%	25%	25%	25%						
100 PERMANENT FINANCING EXPENSES													
101 Loan Origination Fees	0.00%	-	-	-	-	-	-	-	17,500	-	17,500		
102 Credit Enhancement & Application Fee		-	-	-	-	-	-	-	-	-	-		
103 Title and Recording Fees		-	-	-	-	-	-	-	15,000	-	15,000		
104 Property Taxes		-	-	-	-	-	-	-	2,500	-	2,500		
105 Insurance		-	-	-	-	-	-	-	35,000	-	35,000		
106 Other:		-	-	-	-	-	-	-	-	-	-		
107 Other:		-	-	-	-	-	-	-	-	-	-		
108 Total Permanent Financing		-	-	-	-	-	-	-	70,000	-	70,000		
109													
110 LEGAL FEES													
111 Construction Lender Legal		65,000	-	-	-	-	-	65,000	-	-	65,000		
112 Permanent Lender Legal (Cit sub loan)		-	-	-	-	-	-	-	7,500	-	7,500		
113 Sponsor Legal	0	50,000	-	-	-	-	-	50,000	-	-	50,000		
114 Organizational Legal		50,000	-	-	-	-	-	50,000	-	-	50,000		
115 Other Legal (Trustee/Issuer Legal, Bond Legal)		75,000	-	-	-	-	-	75,000	-	-	75,000		
116 CPA, Opinion		10,000	-	-	-	-	-	10,000	-	-	10,000		
117 Other: GP Legal	0	20,000	-	-	-	-	-	20,000	-	-	20,000		
118 Total Legal Fees		270,000	-	-	-	-	-	270,000	-	7,500	277,500		
119													
120 CAPITALIZED RESERVES													
121 Operating Reserve		-	-	-	-	-	-	-	245,360	-	245,360		
122 Replacement Reserve		-	-	-	-	-	-	-	-	-	-		
123 Rent-up Reserve		-	-	-	-	-	-	-	-	-	-		
124 Transition Reserve		-	-	-	-	-	-	-	-	-	-		
125 Other: Prepaid HOA		-	-	-	-	-	-	-	-	-	-		
126 Other: Capitalized LP Fee		-	-	-	-	-	-	-	-	-	-		
127 Total Reserves		-	-	-	-	-	-	-	245,360	-	245,360		
128													
129 REPORTS & STUDIES													
130 Market Study		5,000	-	-	-	-	-	5,000	-	-	5,000		
131 Relocation Plan & consulting		46,000	-	-	-	-	-	46,000	-	-	46,000		
132 Appraisal		12,500	-	-	-	-	-	12,500	-	-	12,500		
133 Other: Lender Deposit		35,000	-	-	-	-	-	35,000	-	-	35,000		
134 Other: Investor Deposit		25,000	-	-	-	-	-	25,000	-	-	25,000		
135 Other: SDHC Fees	0	-	-	-	-	-	-	-	-	-	-		
136 Other:	0	-	-	-	-	-	-	-	-	-	-		
137 Other:	0	-	-	-	-	-	-	-	-	-	-		
138 Total Reports & Studies		123,500	-	-	-	-	-	123,500	-	-	123,500		
139													
140 OTHER													
141 TCAC App./Alloc/Monitoring Fees		22,126	-	-	-	-	-	22,126	-	26,427	48,553		
142 CDLAC/CDIAC Fees	0.05%	1,388	-	-	-	-	-	1,388	-	-	1,388		
143 Local Permit Fees	\$2.278/unit	49,500	150,250	1,313	1,313	1,313	1,313	205,000	-	-	205,000		
144 Local Development Impact Fees	\$17.319/unit	0	1,558,690	-	-	-	-	1,558,690	-	-	1,558,690		
145 CFD Prepayment		-	-	-	-	-	-	-	-	-	-		
146 Syndicator/Investor Fees & Expenses		-	-	-	-	-	-	-	-	-	-		
147 Furnishings		-	-	-	-	-	50,000	50,000	-	-	50,000		
148 Final Cost Audit Expense		-	-	-	-	-	-	-	10,000	-	10,000		
149 Marketing		-	7,500	-	-	37,000	15,000	59,500	15,000	-	74,500		
150 Financial Consulting	0	-	-	-	-	-	-	-	-	-	-		
151 Real Estate Taxes		-	-	-	-	-	-	-	-	-	-		
152 Other: Accounting/Finance/Admin		15,000	-	-	-	-	-	30,000	-	-	30,000		
153 Other: Trustee/Trustee Legal/FA Fees	0	65,000	-	-	-	-	-	65,000	-	-	65,000		
154 Other: Service Fee		25,000	-	-	-	-	-	25,000	-	-	25,000		
155 Total Other Costs		88,014	1,813,940	7,500	1,313	1,313	38,313	66,313	2,016,704	25,000	26,427	2,068,131	
156													
157 DEVELOPER COSTS													
158 Developer Fee		500,000	-	-	-	-	-	500,000	-	1,750,000	250,000	2,500,000	
159 Consultant/Processing Agent		-	-	-	-	-	-	-	-	-	-	-	
160 Project Administration		-	-	-	-	-	-	-	-	-	-	-	
161 Syndication Consultant		-	-	-	-	-	-	-	-	-	-	-	
162 Guarantee Fees		-	-	-	-	-	-	-	-	-	-	-	
163 Broker Fees Paid to Related Party		-	-	-	-	-	-	-	-	-	-	-	
164 Construction Oversight & Mgmt		-	-	-	-	-	-	-	-	-	-	-	
165 Total Developer Costs		500,000	-	-	-	-	-	500,000	-	1,750,000	250,000	2,500,000	
166													
167													
168 Total Uses of Funds		587,290	10,360,954	3,092,149	5,616,667	3,166,659	3,223,694	3,305,469	29,352,881	343,865	2,119,287	250,000	32,066,033
169 Net Source & Use		-	-	-	-	-	-	-	-	-	(0)	-	(0)
170 Distributions		-	-	-	-	-	-	-	-	-	-	-	-
171 Balance of Funds		-	-	-	-	-	-	-	-	(0)	(0)	(0)	(0)

EXHIBIT E: OPERATING BUDGET & INCOME ANALYSIS

7811 Mission Gorge

2015 TCAC Rents

Rent:	Restriction	%AMI	Units	Square Feet/Unit	Gross Rents	Utility Allowance	Monthly Net Rent	Annual Rent
0BR/1BA	LIHTC	60%	2	415	\$ 850	33	817	19,608
0BR/1BA	LIHTC	50%	1	415	\$ 708	33	675	8,100
1BR/1BA	LIHTC	60%	22	560	\$ 911	39	872	230,208
1BR/1BA	LIHTC	50%	2	560	\$ 759	39	720	17,280
2BR/1BA	LIHTC	60%	32	800	\$ 1,093	50	1,043	400,512
2BR/1BA	LIHTC	50%	4	800	\$ 911	50	861	41,328
3BR/2BA	Bond	60%	24	1,050	\$ 1,215	60	1,155	332,640
3BR/2BA	Bond	50%	2	1,050	\$ 1,012	60	952	22,848
3BR/2BA		MGR	1	1,050	\$ -	60	0	0
							0	0
Total Rents			90					1,072,524
Community Room								
Garages			% Loss to Efficiency	17%				
Construction Sq Construction Square Feet								
Laundry				\$ 10.00	10,800			
Other Income (App. Fees, Late, etc.)				\$ 10.00	10,800			
Sub-Total					1,094,124			
Less: Vacancies @				5%	54,706			
Cell Tower					13,488			
Total Income					\$1,052,906			
Total Expenses				\$ 5,102	459,171			
Net Operating Income					\$593,735			
Reserves				\$250.00/unit	22,500			
SDHC Issuer and Monitoring Fee					23,350			
Services and Internet					0			
Net Income Available for Debt Service					547,885			

Perm Loan :

Loan Amount	7,624,000
Interest	5.25%
Term	17
Amortization	35
Debt Service Coverage	1.15
Monthly Payment	39,701
Annual Payment	476,417
Cash Flow After D/S	71,468

EXHIBIT D: TAX CREDITS & BASIS CALCULATION

7811 Mission Gorge

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	30% ELIGIBLE BASIS	70% ELIGIBLE BASIS
ACQUISITION			
Land Cost	\$ 6,425,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Demolition	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Legal & Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Existing Improvement Costs	\$ -	\$ -	XXXXXXXXXXXXXX
Other: Entitlements and Plans	\$ 150,000	\$ -	\$ 150,000
TOTAL LAND/AQUISITION COSTS	\$ 6,575,000	\$ -	\$ 150,000
REHABILITATION			
Off-Site Improvements	\$ -	\$ -	\$ -
Environmental Remediation	\$ -	\$ -	\$ -
Site Work	\$ -	\$ -	\$ -
Structures	\$ -	\$ -	\$ -
General Requirements	\$ -	\$ -	\$ -
Contractor Overhead	\$ -	\$ -	\$ -
Contractor Profit	\$ -	\$ -	\$ -
Contractor General Liability Insurance	\$ -	\$ -	\$ -
Other:	\$ -	\$ -	\$ -
TOTAL REHABILITATION COSTS	\$ -	\$ -	\$ -
RELOCATION			
Temporary Relocation	\$ 89,500		\$ 89,500
Permanent Relocation	\$ 506,000		XXXXXXXXXXXXXX
TOTAL RELOCATION COSTS	\$ 595,500	\$ -	\$ 89,500
NEW CONSTRUCTION			
Architecture Design Build (no mark up)	\$ 533,960		\$ 533,960
Site Work	\$ 2,035,460		\$ 2,035,460
Parking Garage	\$ 1,925,000		\$ 1,925,000
Structures	\$ 9,247,615		\$ 9,247,615
Contractor Contingency	\$ 792,484		\$ 792,484
General Requirements	\$ 792,484		\$ 792,484
Contractor Overhead	\$ 264,161		\$ 264,161
Contractor Profit	\$ 792,484		\$ 792,484
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 16,383,650	\$ -	\$ 16,383,650
ARCHITECTURAL FEES			
Building	\$ -		\$ -
Landscape	\$ 49,200		\$ 49,200
Energy Consultant	\$ 50,000		\$ 50,000
Other: Acoustic Study	\$ 3,500		\$ 3,500
Other: Traffic Study	\$ 3,900		\$ 3,900
Other:	\$ -		\$ -
TOTAL ARCHITECTURAL COSTS	\$ 106,600	\$ -	\$ 106,600
SURVEY & ENGINEERING			
Civil (includes ALTAs)	\$ 192,000		\$ 192,000
ALTA	\$ -		\$ -
Staking	\$ 42,000		\$ 42,000
Structural Testing	\$ 50,000		\$ 50,000
Soils Testing	\$ 35,000		\$ 35,000
Other: Phase I & II	\$ 7,500		\$ 7,500
Other: soils report (borings)	\$ 12,036		\$ 12,036
Other: Solar/Cell Tower/Utility Consultants	\$ 32,000		\$ 32,000
TOTAL SURVEY & ENGINEERING	\$ 370,536	\$ -	\$ 370,536
CONTINGENCY COSTS			
Hard Cost Contingency	\$ 994,182		\$ 994,182
Soft Cost Contingency	\$ 108,270		\$ 108,270
TOTAL CONTINGENCY COSTS	\$ 1,102,452	\$ -	\$ 1,102,452
CONSTRUCTION PERIOD EXPENSES			
Construction Loan Interest	\$ 842,093		\$ 523,228
C Bond Loan Interest	\$ -		\$ -
Soft Loan Interest	\$ 250,740		\$ 250,740
Origination Fee	\$ 209,021		\$ 129,874
Credit Enhancement & Application Fee	\$ -		\$ -
Owner Paid Bonds	\$ -		\$ -
Lender Inspection Fees	\$ 37,500		\$ 37,500
Taxes During Construction	\$ 2,500		\$ 2,500
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 65,000		\$ 65,000
Title and Recording Fees	\$ 60,000		\$ 60,000
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ 30,000		\$ 30,000
Other: SDHC Ap, Orig, Servicing, Legal, Const Review	\$ 150,950		\$ 150,950
Other: Bond Performance Deposit	\$ -		\$ -
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 1,647,805	\$ -	\$ 1,249,792
PERMANENT FINANCING EXPENSES			
Loan Origination Fee	\$ 17,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title and Recording Fees	\$ 15,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Property Taxes	\$ 2,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Insurance	\$ 35,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other:	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other:	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$ 70,000	\$ -	\$ -

6,575,000

EXHIBIT D: TAX CREDITS & BASIS CALCULATION

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	30% ELIGIBLE BASIS	70% ELIGIBLE BASIS
LEGAL FEES			
Construction Lender Legal	\$ 65,000		\$ 65,000
Permanent Lender Legal	\$ 7,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Sponsor Legal	\$ 50,000		\$ 50,000
Organizational Legal	\$ 50,000		\$ 50,000
Bond Legal	\$ 75,000		XXXXXXXXXXXXXX
CPA, Opinion	\$ 10,000		\$ 10,000
Other: GP Legal	\$ 20,000		\$ 20,000
TOTAL LEGAL	\$ 277,500	\$ -	\$ 195,000
CAPITALIZED RESERVES			
Operating Reserve	\$ 245,360	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Replacement Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Rent-up Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Transition Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Prepaid HOA	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Capitalized LP Fee	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL RESERVE COSTS	\$ 245,360	\$ -	XXXXXXXXXXXXXX
REPORTS & STUDIES			
Appraisal	\$ 5,000		\$ 5,000
Market Study	\$ 46,000		\$ 46,000
Physical Needs Assessment	\$ 12,500		\$ 12,500
Environmental Studies	\$ 35,000		\$ 35,000
Other: Investor Deposit	\$ 25,000		\$ 25,000
Other: SDHC Fees	\$ -		\$ -
Other:	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REPORTS & STUDIES	\$ 123,500	\$ -	\$ 123,500
OTHER EXPENSES			
TCAC Application/Allocation/Monitoring Fees	\$ 48,553	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
CDLAC/CDIAC Fees	\$ 1,388		\$ -
Local Permit Fees	\$ 205,000		\$ 205,000
Local Development Impact Fees	\$ 1,558,690		\$ 1,558,690
Other Costs of Bond Issuance	\$ -		\$ -
Syndicator/Investor Fees & Expenses	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Furnishings	\$ 50,000		\$ 50,000
Final Cost Audit Expense	\$ 10,000		\$ 10,000
Marketing	\$ 74,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Financial Consultant	\$ -		\$ -
Real Estate Taxes	\$ -		\$ -
Other:	\$ 30,000		\$ 30,000
Other:	\$ 65,000		\$ 65,000
Other:	\$ 25,000		\$ 25,000
TOTAL OTHER COSTS	\$ 2,068,131	\$ -	\$ 1,918,690
DEVELOPER COSTS			
Developer Fee Limit - Per Applicator	\$ 2,500,000	\$ -	\$ 2,500,000
Developer Fee Calculation	\$ 3,253,458	\$ -	\$ 3,253,458
Developer Fee	\$ 2,500,000	\$ -	\$ 2,500,000
Consultants/Processing Agent	\$ -		\$ -
Project Administration	\$ -		\$ -
Syndication Consultant	\$ -		\$ -
Guarantee Fees	\$ -		\$ -
Broker Fees Paid to Related Party	\$ -		\$ -
Construction Oversight & Mgmt	\$ -		\$ -
TOTAL DEVELOPER FEE	\$ 2,500,000	\$ -	\$ 2,500,000
TOTAL RESIDENTIAL COSTS	\$ 32,066,033	\$ -	\$ 24,189,719
TOTAL COMMERCIAL COSTS	\$ -	\$ -	\$ -
TOTAL PROJECT AND BASIS COSTS	\$ 32,066,033	\$ -	\$ 24,189,719
Adjustment for Excess Basis			\$ -
Additional Amount Voluntarily Excluded From Basis			\$ -
Requested Undadjusted Eligible Basis	\$ -	\$ -	\$ 24,189,719
130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	y	\$ 31,446,635
Credit Reduction		0.00%	\$ -
Total Adjusted Qualified Basis			\$ 31,446,635
TX CREDITS @ % LI Eligible @ Tx Credit Rt	100.00%	3.20%	3.20%
TX CREDITS @ % LI Eligible	Nov-15	\$ -	\$ 1,006,292
TX CREDITS OVER TEN YEARS	\$ -	\$ -	\$ 10,062,923
State Tax Credits - 13% of Eligible Basis & Over 4 Yrs	0.00%		\$ -
State Tax Credits Equity	\$ -		\$ -
TX CREDIT EQ'Y @\$/Credit @% Investment	\$ 1.1350	99.99%	\$ 11,420,276

271,017

15 year Cashflow
7811 Mission Gorge

			53	54	55	Totals
Total Income, net vacancies			2,948,482	3,007,451	3,067,600	103,275,880
	Inflation @	2.00%				
Operating Expenses			2,135,551	2,199,617	2,265,606	62,250,516
	Inflation @	3.00%				
Net Operating Income			812,931	807,834	801,995	41,025,364
Principal and Interest	7,624,000	5.25%	0	0	0	17,072,616
SDHC Issuer and Monitoring Fee		0.00%	23,350	23,350	23,350	1,284,250
Replacement Reserves		3.00%	101,597	104,645	107,784	2,961,844
LP Fee		10.00%	0	0	0	79,425
Managing GP Fee		3.00%	93,018	95,808	98,682	
Net Project Cash Flow			594,967	584,031	572,178	16,905,797
DSCR						
ADJUSTMENTS:						
Deferred Developer Fee	100%of Avail Cashflow	3.00%	0	0	0	271,596
Cash Available After Deferred Fee Payment			594,967	584,031	572,178	16,634,201
Cash Available for Subordinate Deferred Developer Fee			594,967	584,031	572,178	16,634,201
Subordinate Deferred Developer Fee	50.0%of Avail Cashflow	3.00%	0	0	0	1,902,811
Cash Available to Pay Soft Loans			594,967	584,031	572,178	14,731,390
SDHC Loan	42.1%of Avail Cashflow	3.00%	250,512	245,908	240,917	7,003,874
Other: Citi Sub Loan	7.9%of Avail Cashflow	3.00%	46,971	46,108	45,172	1,313,226
Cash Flow Available after Soft Loans			297,483	292,016	286,089	6,414,289
Partnership Admin Fee (90% of Cash Flow)		90.00%	267,735	262,814	257,480	5,772,860
Cash Flow Available after Partnership Admin Fee			29,748	29,202	28,609	641,429
LP Distribution		99.99%	29,745	29,199	28,606	641,365
GP Distribution		0.01%	3	3	3	64
Remaining Cash Flow After Partnership Distribution			0	0	0	0

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 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 faith, credit or taxing power nor of the Housing Authority’s faith or credit. 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 the 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, the 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 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.