



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: March 6, 2020

HCR20-035

COUNCIL DISTRICT(S): 5

ORIGINATING DEPARTMENT: Real Estate Division

SUBJECT: Final Bond Authorization for Scripps Mesa Apartments

CONTACT/PHONE NUMBER: Colin Miller (619) 578-7429

#### REQUESTED ACTION:

Authorize the issuance of up to \$100,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to fund the construction of Scripps Mesa Apartments, a 264-unit rental housing development, located at 10380 Spring Canyon Road, San Diego, California 92131, which will consist of 53 units that will remain affordable for 55 years for very low-income families and 211 market-rate rental housing units.

#### EXECUTIVE SUMMARY OF KEY FACTORS:

- Scripps Mesa is a unique public-private partnership opportunity to provide rental housing, both affordable and market-rate, along with a community space, retail space, and dedicated space for a new Student Makerspace and Community Center building.
- This project is being developed under a long-term ground lease and joint occupancy agreement with Scripps Mesa Apartments, L.P. and the San Diego Unified School District.
- The site is currently home to a conference center and the Innovations Academy charter school. San Diego Unified School District anticipates completing the relocation of the charter school by April 4, 2020.
- The 53 affordable rental housing units at Scripps Mesa will be restricted for a 55-year term, with affordability for tenants with income up to 50 percent of the San Diego Area Median Income.
- Prevailing wages are not applicable to the proposed project due to the sources proposed to fund the construction of the project.
- The proposed issuance of Multifamily Housing Revenue Bonds would not constitute a debt of the City. If bonds are issued, they will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development.
- Residential project amenities include: clubhouse/leasing center, fitness center, dog run, pool and spa, and indoor/outdoor community gathering space.
- Additionally, approximately 2,000 square feet of neighborhood retail/commercial space and the approximately 4,000-square-foot San Diego Unified School District Community/Student Center building will be included.



## REPORT

**DATE ISSUED:** February 27, 2020

**REPORT NO:** HCR20-035

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 6, 2020

**SUBJECT:** Final Bond Authorization for Scripps Mesa Apartments

**COUNCIL DISTRICT:** 5

### **REQUESTED ACTION**

Authorize the issuance of up to \$100,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to fund the construction of Scripps Mesa Apartments, a 264-unit rental housing development, located at 10380 Spring Canyon Road, San Diego, California 92131, which will consist of 53 units that will remain affordable for 55 years for very low-income families and 211 market-rate rental housing units.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$100,000,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate Scripps AU Owner LP's (the Borrower) construction of Scripps Mesa Apartments, a 264-unit rental housing development, located at 10380 Spring Canyon Road, San Diego, California 92131, which will consist of 53 units that will remain affordable for 55 years for very low-income families and 211 market-rate rental housing units.

### **SUMMARY**

Development Summary is included as Attachment 1.

**Table 1 – Development Details**

Address	10380 Spring Canyon Road, San Diego 92131
Council District	5
Community Plan Area	Miramar Ranch North
Development Type	New Construction
Construction Type	Type-V Residential & Type II Parking Structure
Parking Type	Residential Parking Structure: 452 spaces Commercial: 12 surface parking spaces STEM Building: 27 surface parking spaces
Housing Type	Multifamily
Lot Size	6.72 acres – 292,723 square feet
Units	264
Density	40 dwelling units per acre
Affordable Unit Mix	18 one-bedroom units 29 two-bedroom units

	6 three-bedroom unit
Market Rate Unit Mix	72 one-bedroom units 114 two-bedroom units 25 three-bedroom unit
Gross Building Area	374,261 square feet
Net Rentable Area	270,534 square feet

#### The Development

Scripps Mesa Apartments is a proposed 264-unit multifamily rental housing development located at 10380 Spring Canyon Road in the Miramar Ranch North community area (Attachment 2 – Site Map). The project is a unique public-private partnership opportunity to provide rental housing, both affordable and market-rate, along with a community space, retail space and dedicated space for a new Student Makerspace and Community Center building. This project is being developed under a long-term ground lease and joint occupancy agreement with Scripps Mesa Apartments, L.P. and the San Diego Unified School District.

Residential project amenities include: clubhouse/leasing center, fitness center, dog run, pool and spa, and indoor/outdoor community gathering space. Additionally, approximately 2,000 square feet of neighborhood retail/commercial space and the approximately 4,000-square-foot San Diego Unified School District Community/Student Center building will be included.

#### Project Sustainability

Scripps Mesa Apartments will comply with the California Tax Credit Allocation Committee's (TCAC) minimum energy efficiency standards.

#### Relocation

The site is owned by the San Diego Unified School District and currently home to a conference center and the Innovations Academy charter school. San Diego Unified anticipates completing the relocation of the charter school by April 4, 2020.

#### Development Team

At Bond closing, ownership of the development will be in the name of Scripps MU Owner, L.P., a California limited partnership (Scripps MU Owner), which is effectively owned as follows: (a) 50.5 percent by Essex Scripps, LLC and (b) 49.5 percent by Monarch Scripps Mesa, LLC, created by Essex and Monarch, respectively.

Prior to the closing of the tax credits, the affordable residential portion of the development will be subdivided and conveyed to a separate but related entity, Scripps AU Owner, L.P (Scrips AU). Scripps AU is California limited partnership consisting of: (a) Monarch Essex Scripps GP, LLC as administrative general partner, (b) AOF Scripps Mesa LLC, a California limited liability corporation created by AOF/Pacific Affordable Housing Corp., a California not-for-profit public benefit corporation; and (c) a tax credit limited partner yet to be identified.

Monarch Group is a local, family-owned and operated business and has completed more than 11,000 residential units in more than 50 projects in the San Diego region. Essex Property Trust Public has interests in 245 apartment communities with more than 59,500 apartment homes. This includes ownership in 19 properties that comprise 5,440 units in the San Diego region. Both partners have a proven track record of implementing, developing, and managing tax-exempt bond and tax credit

transactions as evidenced by their extensive portfolios. Disclosure statements are included as Attachment 3.

**Table 2 - Development Team Summary**

<b>ROLE</b>	<b>FIRM/CONTRACT</b>
Owner	Scripps Mesa Apartments, L.P.
General Partner	Monarch Essex Scripps GP, LLC
Limited Partner	Monarch Essex Scripps, LLC
Developer	Monarch Scripps Mesa LLC Essex Scripps, LLC
Architect	Architects Orange
General Contractor	Portrait Homes
Property Management	Essex Property Management
Construction Lender	Bank of America
Permanent Lender	Bank of America

### **FINANCING STURCTURE**

Scripps Mesa Apartments has an estimated total development cost of \$113,457,716. Financing will include a combination of tax-exempt Multifamily Housing Revenue Bonds, federal 4 percent tax credits, and a developer equity contribution.

No Housing Commission loan proceeds will be provided to this development.

Estimated permanent sources and uses of financing are provided in Table 3. The developer's project pro forma is provided as Attachment 5.

**Table 3 –Estimated Sources and Uses of Financing**

<b>Permanent Financing Sources</b>	<b>Amounts</b>	<b>Permanent Financing Uses</b>	<b>Amounts</b>
Permanent Loan	\$ 90,000,000	Acquisition Costs	\$ 3,310,153
Tax Credit Equity	\$ 8,878,328	Construction Costs	\$ 76,951,954
Developer Equity	\$ 14,579,388	Soft Costs	\$ 20,801,870
		Developer Fee	\$ 3,000,000
		Financing Costs	\$ 9,393,739
<b>Total Development Cost</b>	<b>\$113,457,716</b>	<b>Total Development Cost</b>	<b>\$ 113,457,716</b>

### **Developer Fee**

The net cash developer fee shall be \$3,000,000 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee.

On April 25, 2017, the Housing Authority approved the "Request for Approval of Updated Developer Fees" (Report No. HAR 17-011; Resolution No. HA-1727)). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: "Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis...." The developer is proposing a \$3,000,000 total developer fee, which complies with HAR 17-011. The proposed fee is in conformance with the "Request for Approval of Updated Developer Fees" guidelines approved by the Housing Authority on April 25, 2017.

#### Prevailing Wages

Prevailing wages are not applicable to the proposed project due to the sources proposed to fund the construction of the project.

#### Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators, which were used to evaluate the proposed development. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

**Table 4 – Key Performance Indicators**

Development Cost Per Unit	$\$113,457,716 \div 264 \text{ units} =$	\$429,764
Acquisition Cost Per Unit	$\$3,310,153 \div 264 \text{ units} =$	\$12,538
Net Rentable Square Foot Hard Cost	$\$76,951,954 \div 270,534 \text{ sq. ft.} =$	\$284
Gross Building Square Foot Hard Cost	$\$76,951,954 \div 374,261 \text{ sq. ft.} =$	\$206

#### Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, site improvements needed, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City impact fees, developer experience and capacity, and amenities necessary to gain tax credit approval. Table 5 shows a comparison of the subject property and other developments of the same construction type.

**Table 5 – Comparable New Construction Projects**

Project Name	Year	Construction Type	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit *	Hard Cost Per Square Foot
<b>Scripps Mesa Apartments</b>	<b>2019</b>	Type-V Residential & Type II Parking Structure	<b>264</b>	<b>\$113,457,716</b>	<b>\$429,764</b>	<b>\$0</b>	<b>\$206</b>
Civita II Family	2017	Type- III Over Type-I	203	\$99,850,914	\$491,876	\$0	\$332
Keeler Court	2019	Type V	71	\$40,891,780	\$575,941	0	\$304

#### **AFFORDABLE HOUSING IMPACT**

Under the proposed bond financing, Scripps Mesa Apartments would have 53 units restricted to households with incomes at or below 50 percent of San Diego Area Median Income (AMI). The remaining units will be market-rate units. The affordable units will be restricted for a 55-year term. Table 6 summarizes the affordability:

**Table 6 – Affordability & Monthly Estimated Rent Table**

Unit Type	AMI	Number of Units	Maximum Gross Rents
1-bedroom	50%	18	\$940
1-bedroom	Market	72	Market
2-bedroom	50%	29	\$1,120
2-bedroom	Market	114	Market
3-bedroom	50%	6	\$1,290
3-bedroom	Market	25	Market
<b>Total</b>		<b>264</b>	

## **TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS**

### Proposed Housing Bonds

Multifamily housing financing often involves the issuance of tax-exempt Multifamily Housing Revenue Bonds (Bonds) on behalf of private developers of qualifying affordable rental apartment projects. The advantages of tax-exempt financing to developers include below-market interest rates and access to Low Income Housing Tax Credits (Tax Credits) – features that are not available with typical conventional multifamily housing mortgage loans.

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower tax-exempt interest rate financing (and make 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 the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. A Housing Authority bond inducement resolution must be obtained prior to application submittal, and a City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolution must be secured no later than 30 days after application submittal. On July 8, 2019, these actions were completed for Scripps Mesa Apartments.

On October 16, 2019, CDLAC awarded the development a \$100,000,000 private activity bond allocation. The developer proposes that the bond proceeds will be used for both construction financing and permanent financing. The developer proposed that the bonds be issued through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on bond disclosure. The amount of bonds ultimately issued will be based upon development costs, revenues and interest rates prevailing at the time of bond issuance.

On January 17, 2020, the Borrower filed an application to the California Tax Credit Allocation Committee (“CTCAC”) requesting a reservation of 4 percent low-income housing tax credits for the development. The Borrower expects that CTCAC will award the tax credit reservation at its meeting on March 18, 2020.

A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority to initiate and finalize proposed financings are described in Attachment 6. Final authorization of the Bonds issuance will require Housing Authority approval on April 7, 2020.

Public Disclosure on Bond Authorization

The tax-exempt debt, in the form of the bonds (Bonds), will be sold through a private placement purchased directly by Bank of America. Bank of America is a “qualified institutional buyer” within the meaning of the U.S. securities laws.

Under the private placement structure for this transaction, Bank of America will make a loan to the Housing Authority pursuant to the terms of the Funding Loan Agreement among Bank of America, the Housing Authority and a to-be-selected Fiscal Agent. The Loan made by Bank of America to the Housing Authority (Funding Loan) will be evidenced by the Bonds, which will obligate the Housing Authority to pay Bank of America the amount it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement, pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient to make payments on the Bonds. The Housing Authority’s obligation to make payments on the Bonds is limited to the amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Bonds.

Bank of America will be originating its loan pursuant to the Freddie Mac “TEL” (i.e., tax exempt loan) program. Within 30 days of closing, the Bonds will be purchased from Citibank by Freddie Mac under the TEL program, Bank of America will be the initial purchaser of the Bonds issued by the Housing Authority.

The transfer of the Bonds to any subsequent purchaser – including to Freddie Mac pursuant to the preceding paragraph – will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bond holder would be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the Bonds for investment purposes and not for resale, and has made due investigation of any material information necessary in connection with the purchase of the Bonds. The following document will be executed on behalf of the Housing Authority with respect to the Bonds: Funding Loan Agreement, Borrower Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other ancillary loan documents. At the time of docketing, 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 the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citibank will disburse Bond proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Borrower Loan Agreement sets out the terms of the repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan agreement to Citibank. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. An Assignment of Deed of Trust and other Loan Documents, which assigns the Housing Authority’s rights and responsibilities as the issuer to Citibank, is signed by the Housing Authority for the benefit of Citibank. Rights and responsibilities that are assigned to Citibank 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 Bank of America to protect its financial interests as the holder of the Bonds.

Financial Advisor's Recommendations

Orrick, Herrington & Sutcliffe LLP is the bond counsel and Ross Financial is the Financial Advisor to work on the tax-exempt bond issuance. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the Housing Authority proceed with the bond issuance. The financial advisor's analysis and recommendation is included as Attachment 7.

**FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action are included in the Fiscal Year 2020 Housing Commission Budget.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - \$250,000.00 (\$100,000,000 x .0025)

Funding uses approved by this action will be as follows:

Administration Costs \$7,950 (53 affordable unit x \$150 annual fee)

There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development. 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. The developer is responsible for the payment of all costs under the financing, including the Housing Commission annual administrative fee, as well as Housing Commission Bond Counsel and Financial Advisor fees. Additionally the developer is responsible for the payment of all costs under the financing, including the Housing Commission annual administrative fee, as well as Housing Commission Bond Counsel and Financial Advisor fees.

Development Schedule

The estimated development timeline is as follows.

<b>Milestones</b>	<b>Estimated Dates</b>
<ul style="list-style-type: none"><li>•</li><li>• Housing Commission final bond authorization</li><li>• Housing Authority final bond authorization</li><li>• Estimated bond issuance and escrow closing</li><li>• Estimated start of construction work</li><li>• Estimated completion of construction work</li></ul>	<ul style="list-style-type: none"><li>•</li><li>• March 6, 2020</li><li>• April 7, 2020</li><li>• April 13, 2020</li><li>• April 2020</li><li>• June 2022</li><li>•</li></ul>

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On June 14, 2019, and June 25, 2019, respectively, the Housing Commission (Report No. HCR19-050) and the Housing Authority (Report No. HAR19-014) approved preliminary steps to issue up to \$110,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS**

As required by the Housing Commission Bonds Program, the developer presented their proposal for Scripps Mesa Apartments to the local community planning board. Presentations were made on several occasions starting in October 2014. The following community groups have been informed about the San

Diego Unified School District partnership with the Monarch/Essex team: Miramar Ranch North Planning Committee, Scripps Ranch Planning Group, Scripps Ranch Civic Association, and Scripps Ranch Schools Committee.

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders include Monarch Group, Essex Property Trust, the Miramar Ranch North and Scripps Ranch communities and residents. Construction of the property is expected to have a positive impact on the community because it will provide the needed affordable and market rate housing along with increased economic benefits to the area.

**ENVIRONMENTAL REVIEW**

A Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code was filed on May 29, 2018 which stated the following: The project will not have a significant effect on the environment. An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA. Mitigation measures were made a condition of the approval of the project. A Mitigation reporting or monitoring plan was adopted for this project. A Statement of Overriding Considerations was not adopted for this project. Findings were made pursuant to the provisions of CEQA. . Future actions to consider and approve development entitlement approvals related to the future development of the site will require additional review under the provisions of CEQA by the lead agency. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this action.

Respectfully submitted,

*Colin Miller*

Colin Miller  
Vice President  
Multifamily Housing Finance  
Real Estate Division

Approved by,

*Jeff Davis*

Jeff Davis  
Executive Vice President & Chief of Staff  
San Diego Housing Commission

Attachments: 1) Development Summary  
2) Site Map  
3) Developer Disclosure Statement – Monarch Development  
5) Developer’s Project Pro forma  
6) Multifamily Housing Revenue Bond Program  
7) Financial Advisor’s Recommendation

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk 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 in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org)

## Development Summary

**Table 1 – Development Details**

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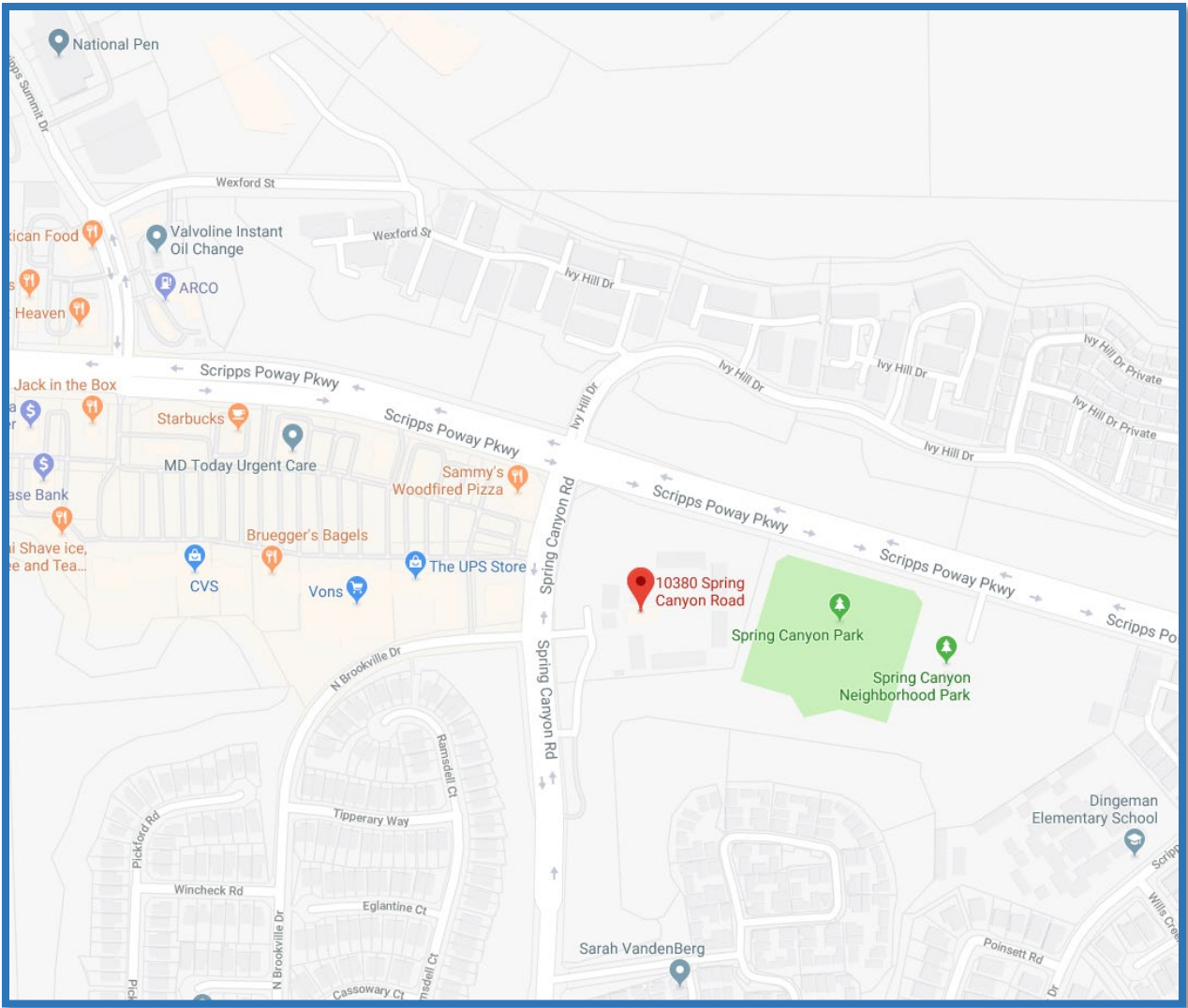
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Keeler Court	2019	Type V	71	\$40,891,780	\$575,941	0	\$304

**Table 6 – Affordability & Monthly Estimated Rent Table**

Unit Type	AMI	Number of Units	Maximum Gross Rents
1-bedroom	50%	18	\$1,003
1-bedroom	Market	72	Market
2-bedroom	50%	29	\$1,203
2-bedroom	Market	114	Market
3-bedroom	50%	6	\$1,391
3-bedroom	Market	25	Market
<b>Total</b>		<b>264</b>	

Site Map



**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/  
ENTITY SEEKING GRANT/BORROWERS  
(Collectively referred to as "CONTRACTOR" herein)  
Statement for Public Disclosure**

1. Name of CONTRACTOR: Scripps Mesa Apartments, L.P.
2. Address and Zip Code: c/o Essex Property Trust, 1100 Park Place, Suite 200, San Mateo, CA 94403
3. Telephone Number: 650-655-7800
4. Name of Principal Contact for CONTRACTOR: Adam Berry
5. Federal Identification Number or Social Security Number of CONTRACTOR: 30-1164091
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: Scripps Mesa Apartments, L.P.  
(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:  
  
November 9, 2018
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. 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.
  - c. 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.

- d. 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%.(Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Monarch Essex Scripps GP, LLC	General Partner of Scripps Mesa Apartments, L.P./ 1% interest in Scripps Mesa Apartments, L.P.
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	
Name: Monarch Essex Scripps, LLC	100% owner of Monarch Essex Scripps GP, LLC
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	
Name: Monarch Essex Scripps, LLC	Limited Partner of Scripps Mesa Apartments, L.P./ 99% interest in Scripps Mesa Apartments, L.P.
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	
Name: Essex Scripps, LLC	50.5% owner of Monarch Essex Scripps, LLC
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	
Name: Monarch Scripps Mesa, LLC	49.5% owner of Monarch Essex Scripps, LLC
Address: 7727 Herschel Avenue, La Jolla, CA 92037	
Name: Essex Portfolio, L.P.	100% Member of Essex Scripps, LLC
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	
Name: Essex Property Trust, Inc.	~97% General Partner of Essex Portfolio, L.P.
Address: 1100 Park Place, Suite 200, San Mateo, CA 94403	

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.

No.

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 and Address	Position Title (if any) and percent of interest or
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	<b>description of character and extent of interest</b>
Name: Pat Kruer Trust	Member of Monarch Scripps Mesa, LLC/ Owns an approximately 11% computed interest in the Contractor
Address: 7727 Herschel Avenue, La Jolla, CA 92037	
Name: Tim Kruer Trust	Member of Monarch Scripps Mesa, LLC/ Owns an approximately 11/% computed interest in the Contractor
Address: 7727 Herschel Avenue, La Jolla, CA 92037	
Name:	
Address:	

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:

<b>Name and Address</b>	<b>Position Title (if any) and percent of interest or description of character and extent of interest</b>
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

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.

<b>Name and Address</b>	<b>Relationship to CONTRACTOR</b>
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

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.

**Financials are not available yet for Scripps Mesa Apartments, L.P., but see attached 10-K for Essex Portfolio, L.P., the indirect majority owner of Scripps Mesa Apartments, L.P.**

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:

Funds are proposed to be a mix of tax-exempt private activity multifamily housing revenue bonds, 4% tax credits, and CONTRACTOR equity.

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: Essex Portfolio, L.P.

Address: 1100 Park Place, Suite 200, San Mateo, CA 94403

Amount: \$100 million (see Balance Sheet in 10-K)

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

Name:

Address:

Amount: \$

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

Description	Market Value (\$)	Mortgages or Liens (\$)

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

Name and Address	Contact Name
Name: J.P. Morgan	David Yao
Address: 3 Park Plaza, Irvine, CA 92614	
Name: Wells Fargo	Jimmy Reynoso
Address: 1655 Grant St., Concord, CA 94520	
Name: Wells Fargo	
Address: 90 South 7 <sup>th</sup> St., Minneapolis, MN 55402	Amanda Weidling

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:

**The following Projects were completed by affiliates of Essex Portfolio, L.P., the indirect majority owner of Contractor.**

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Revenue	187 unit stabilized development project in West Hollywood, CA	2014	\$54,535,000	No
Revenue	184 unit stabilized development project in West Hollywood, CA	2014	\$59,900,000	No
Revenue	275 unit stabilized development project in Los Angeles, CA	2009	\$30,045,000	No
Revenue	545 unit development project TCO expected Q3'19, in Los Angeles, CA	2019E	\$132,000,000	No

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:

N/A

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name:	
Address:	
Name:	
Address:	
Name:	

Address:	

- 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? N/A

☐ Yes ☐ No

If yes, please explain, in detail, each such instance:

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ N/A

General description of such work:

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. (Attach extra sheet if necessary)

<b>Project Name</b>		
<b>Project Owner Contact Information</b>		
	Name	Address
<b>Project Location</b>		
<b>Project Details</b>		
<b>Bonding Company Involved</b>		
	Name	Amount of Contract
<b>Change Order Details</b>		
<b>Change Order Cost</b>		
<b>Litigation Details</b>		
	Location/Date	Outcome Details

- d. Construction contracts or developments now being performed by such contractor or builder: N/A

<b>Identification of Contract or Development</b>	<b>Location</b>	<b>Amount</b>	<b>Date to be Completed</b>
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e. Outstanding construction-contract bids of such contractor or builder: N/A

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding 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:

Essex Property Trust was established in 1971 and owns over 55,000 apartment units on the West Coast. The company went public as a Real Estate Investment Trust in 1994 and currently trades on the New York Stock Exchange (trading symbol: ESS). The company has the highest total return of all public US REITs since its IPO in 1994.

The executive management team at Essex has an average of over 20 years with the company. Since its inception, the company has developed over 14,000 multifamily units in over 60 communities up and down the west coast. The company utilizes in-house construction management and accounting teams to oversee the projects and ensure that communities are delivered on-time and on-budget. Because Essex is a long-term owner of its real estate, we develop to the highest possible specifications in order to maximize long-term value creation.

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), 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 SDHC, 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

☒ No

If yes, explain: N/A

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:

Essex Property Trust was established in 1971 and owns over 55,000 apartment units on the West Coast. The company went public as a Real Estate Investment Trust in 1994 and currently trades on the New York Stock Exchange (trading symbol: ESS). The company has the highest total return of all public US REITs since its IPO in 1994.

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25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes

☒ No

If yes, explain:

The CONTRACTOR (Scripps Mesa Apartments, L.P.) is not currently involved in any construction-related litigation. The entities listed in this Statement for Public Disclosure may be a party to various claims and routine litigation arising in the ordinary course of business with their development and redevelopment projects. There is no active construction-related litigation that is material to our business or any of our individual development or redevelopment projects.

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's: List the amount of coverage (limits) currently existing in each category - See attached certificate of insurance for limits in each category:

MOC Insurance Services, 101 Montgomery St., Suite 800, San Francisco, CA 94104 – (415) 957-0600

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)] - See attached certificate of insurance

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

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

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)] - See attached certificate of insurance
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)] - None
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] - See attached certificate of insurance
- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] - None

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 SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, 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 SDHC, 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 SDHC 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 state: **NONE**

Government Complaint	Entity	Making	Date	Resolution
<b>None</b>				

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?

☐ Yes

☒ No

If yes, please explain, in detail,

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:

**NONE, ESSEX AND MONARCH WILL HIRE A LICENSED GENERAL CONTRACTOR.**

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

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 SDHC.

**None.**

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 SDHC.

Essex Property Trust was established in 1971 and owns over 55,000 apartment units on the West Coast. The company went public as a Real Estate Investment Trust in 1994 and currently trades on the New York Stock Exchange (trading symbol: ESS). The company has the highest total return of all public US REITs since its IPO in 1994.

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35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years:

**NONE.**

<b>Date</b>	<b>Entity Involved (i.e. City SDHC, etc)</b>	<b>Status (Current, delinquent, repaid, etc.)</b>	<b>Dollar Amount</b>

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: N/A

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 ☒ No

If yes, explain: N/A

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

- Name: Sarah Kruer Jager  
Address: 7727 Herschel Avenue, La Jolla, CA 92037  
Phone: (858) 551-4390  
Project Name and Description: Apartment project in West Hollywood

2. Name: Rod Stone  
Address: 7727 Herschel Avenue, La Jolla, CA 92037  
Phone: (858) 551-4390  
Project Name and Description: Apartment project in West Hollywood
3. Name: Tim Kruer  
Address: 7727 Herschel Avenue, La Jolla, CA 92037  
Phone: (858) 551-4390  
Project Name and Description: Apartment project in West Hollywood

39. Give a brief statement regarding 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.

The project is being developed by the Monarch/Essex Team, which is comprised of highly experienced, trusted, proven, and best-in-class real estate entitlement, development, and investment experts. The team has a long history of entitlement, development, and direct investment in residential projects that create innovative solutions to development challenges. The Project Team has completed billions of dollars of real estate entitlement, development, and direct property investment throughout the Western U.S.—demonstrating its proven transaction experience.

Monarch is a local, family-owned and operated business. Monarch’s Partners have been in this business for over 40 years. Over that time, they have entitled, developed or acquired approximately 20,000 residential units in the Western U.S. This includes more than 11,000 residential units in over 50 projects in the San Diego region.

In total, Essex has interests in 247 apartment communities, aggregating 60,239 apartment homes, excluding the Company's ownership in preferred equity investments, as well as one operating commercial building, and seven active development projects with 1,982 apartment homes in various stages of development. This includes ownership today in 20 properties that comprise approximately 5,800 units in the San Diego region.

The Monarch/Essex Team has significant experience in collaborating with public agency partners, both through personal community work and through development projects. The team’s philosophy is that it is a privilege to collaborate with public agency partners, as such a partnership provides the Monarch/Essex Team the opportunity to develop projects that are not only high quality and award winning, but which also reflect the commitment to community that is fostered by collaboration with public agency partners.

Essex and Monarch have partnered in the past in designing tax-exempt bond and tax credit financing structures, thereby allowing the development team to provide deeper rent affordability benefits to tenants and communities.

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

Name	Experience
To be determined.	

## **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 ("SDHC"), 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 SDHC, 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 SDHC, 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 SDHC, 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.

[See attached signature page.]

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, at \_\_\_\_\_, California.

**CONTRACTOR:**

**GENERAL PARTNER:**


**MONARCH ESSEX SCRIPPS GP, LLC,**  
a Delaware limited liability company

By: Monarch Essex Scripps, LLC,  
a Delaware limited liability company,  
its sole member

By: Essex Scripps, LLC  
a Delaware limited liability company,  
its member

By: Essex Portfolio, L.P.,  
a California limited partnership,  
its sole member

By: Essex Property Trust, Inc.,  
a Maryland corporation,  
its general partner

By:   
Name: Daniel J. Rosenberg  
Title: Senior Vice President

By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By: \_\_\_\_\_  
Name: Rodney F. Stone  
Title: Manager

By: \_\_\_\_\_  
Name: Sarah Kruer Jager  
Title: Manager

**[Signatures continue on following page.]**


**LIMITED PARTNER:**

**MONARCH ESSEX SCRIPPS, LLC,**  
a Delaware limited liability company

By: Essex Scripps, LLC  
a Delaware limited liability company,  
its member

By: Essex Portfolio, L.P.,  
a California limited partnership,  
its sole member

By: Essex Property Trust, Inc.,  
a Maryland corporation,  
its general partner

By:   
Name: Daniel J. Rosenberg  
Title: Senior Vice President

By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By: \_\_\_\_\_  
Name: Rodney F. Stone  
Title: Manager

By: \_\_\_\_\_  
Name: Sarah Kruer Jager  
Title: Manager

## **CERTIFICATION**

The CONTRACTOR, Scripps Mesa Apartments, L.P., a California limited partnership, 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.

**CONTRACTOR:**

**GENERAL PARTNER:**


**MONARCH ESSEX SCRIPPS GP, LLC,**  
a Delaware limited liability company

By: Monarch Essex Scripps, LLC,  
a Delaware limited liability company,  
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By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By: \_\_\_\_\_  
Name: Rodney F. Stone  
Title: Manager

By: \_\_\_\_\_  
Name: Sarah Kruer Jager  
Title: Manager

**[Signatures continue on following page.]**

## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

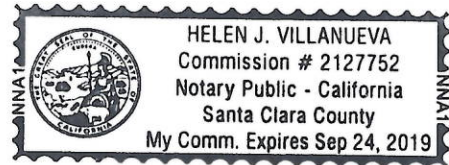
State of California  
County of San Mateo )

On May 22, 2019 before me, Helen J. Villanueva, Notary Public  
(insert name and title of the officer)

personally appeared Daniel J. Rosenberg,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the  
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing  
paragraph is true and correct.

WITNESS my hand and official seal.



Signature H. Villanueva (Seal)


**LIMITED PARTNER:**

**MONARCH ESSEX SCRIPPS, LLC,**  
a Delaware limited liability company

By: Essex Scripps, LLC  
a Delaware limited liability company,  
its member

By: Essex Portfolio, L.P.,  
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its general partner

By:   
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By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By: \_\_\_\_\_  
Name: Rodney F. Stone  
Title: Manager

By: \_\_\_\_\_  
Name: Sarah Kruer Jager  
Title: Manager

**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.**

**[All signatures to be notarized.]**

## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of San Mateo )

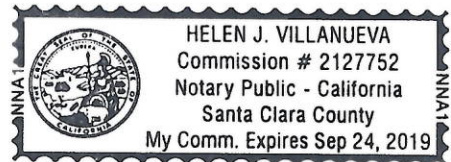
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(insert name and title of the officer)

personally appeared Daniel J. Rosenberg  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Helen J. Villanueva* (Seal)



Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, at \_\_\_\_\_, California.

**CONTRACTOR:**

**GENERAL PARTNER:**

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By: Monarch Essex Scripps, LLC,  
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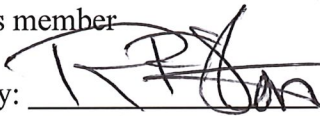
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**MONARCH ESSEX SCRIPPS, LLC,**  
a Delaware limited liability company

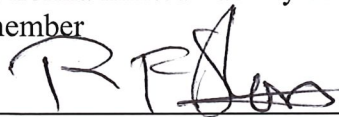
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a Delaware limited liability company,  
its sole member

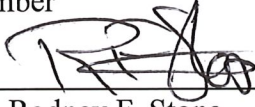
By: Essex Scripps, LLC  
a Delaware limited liability company,  
its member

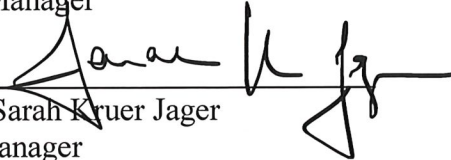
By: Essex Portfolio, L.P.,  
a California limited partnership,  
its sole member

By: Essex Property Trust, Inc.,  
a Maryland corporation,  
its general partner

By: \_\_\_\_\_  
Name: Daniel J. Rosenberg  
Title: Senior Vice President

By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By:   
Name: Rodney F. Stone  
Title: Manager

By:   
Name: Sarah Krueger Jager  
Title: Manager

[Signatures continue on following page.]

**LIMITED PARTNER:**

**MONARCH ESSEX SCRIPPS, LLC,**  
a Delaware limited liability company

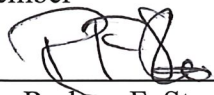
By: Essex Scripps, LLC  
a Delaware limited liability company,  
its member


By: Essex Portfolio, L.P.,  
a California limited partnership,  
its sole member

By: Essex Property Trust, Inc.,  
a Maryland corporation,  
its general partner

By: \_\_\_\_\_  
Name: Daniel J. Rosenberg  
Title: Senior Vice President

By: Monarch Scripps Mesa, LLC,  
a California limited liability company,  
its member

By:  \_\_\_\_\_  
Name: Rodney F. Stone  
Title: Manager

By:  \_\_\_\_\_  
Name: Sarah Kruer Jager  
Title: Manager

**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.**

**[All signatures to be notarized.]**

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of San Diego )

On May 23, 2019 before me, Stefanie Greco, Notary Public  
Date Here Insert Name and Title of the Officer

personally appeared Rodney F. Stone & Sarah Krueger Jager  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal



Signature [Signature]  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**

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

Number of Pages: \_\_\_\_\_ Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

☐ Corporate Officer — Title(s): \_\_\_\_\_

☐ Partner — ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian or Conservator

☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

☐ Corporate Officer — Title(s): \_\_\_\_\_

☐ Partner — ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian or Conservator

☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

## Scripps Mesa

### Sources & Uses Pro Forma (Feb-20)

Sources of Funding During Construction	Amount
Tax-Exempt Bond Proceeds	\$90,000,000.00
Developer Equity	\$23,457,716.00
<b>Total Sources</b>	<b>\$113,457,716.00</b>

Uses	
Land Acquisition (1)	\$3,310,153.00
Construction Costs	\$76,951,954.00
Cost of Issuance	\$1,723,739.00
Construction Loan Interest & Operating Reserve	\$7,316,250.00
Developer Fee	\$3,000,000.00
<i>Other Uses:</i>	
Architecture, Engineering & Processing	\$3,750,000.00
City Fees	\$5,500,000.00
Property Taxes During Construction	\$1,000,000.00
Other Soft Costs	\$2,996,048.00
Contingency	\$7,909,572.00
<b>Total Uses</b>	<b>\$113,457,716.00</b>

Note: Sources and uses pro forma above is preliminary/estimated and subject to change.

(1) Excludes ground lease payments due to ground lessor over lease term.

Sources of Funding - Permanent	Amount
Tax-Exempt Bond Proceeds	\$90,000,000.00
Projected Tax Credits (4%)	\$8,878,328.00
Developer Equity	\$14,579,388.00
<b>Total Sources</b>	<b>\$113,457,716.00</b>

## **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.

## ROSS FINANCIAL

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

February 11, 2020

Ms. Jennifer Kreutter  
Director of Multifamily Loan Underwriting  
Housing Finance Real Estate Division  
San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101

**Re:     Scripps Mesa Apartments**

Dear Ms. Kreutter:

The San Diego Housing Commission (the “Commission”) has retained Ross Financial as its municipal advisor to analyze the feasibility of issuing tax-exempt bonds (the “Bonds”) for the Scripps Mesa Apartments (the “Development”).

This feasibility analysis reviews the following items:

- Overview of the Development
- Proposed financing approach
- Benefits and risks to Commission
- Public purpose
- Recommendations

Ross Financial has based its analysis of the Development’s financial feasibility on materials provided by the Monarch Group (“Monarch”), which, along with Essex Property Trust (“Essex”), has created the developer and borrower entities for the Development. The materials include: (1) the application to the California Debt Limit Allocation Committee (“CDLAC”) for private activity bond allocation, (2) the financing commitment from Bank of America, N.A., as construction and permanent lender (the “Bank”) for the Development, (3) the market study performed by CBRE in support of the application to CDLAC, and (4) Monarch’s pro forma financial schedules for the Development. Ross Financial has not visited the site of the proposed Development and had no role in the selection of the Bank.

## OVERVIEW OF DEVELOPMENT

**Development Summary.** The Development is a new construction mixed-use multifamily residential project being developed under a long-term ground lease with San Diego Unified School District (“SDUSD”). The uses consist of 264 mixed income multifamily residential units, parking, commercial and a STEAM building for SDUSD. The 264 residential units are comprised of 90 one-bedroom units, 143 two-bedroom units and 31 three-bedroom units. In addition to a four-story parking structure, there are three buildings: one four-story residential building, a one-story community clubhouse building and a one-story STEAM building with approximately 4,000 square feet for student makerspace. The construction is Type-V Residential with a PT mat slab foundation for the residential portion and a Type II parking structure.

**Parking and Amenities.** The Development includes 491 parking spaces: 451 spaces in the parking structure, 12 surface spaces for commercial, 1 surface space for the leasing office and 27 surface spaces for the STEAM building. Site amenities include: a community clubhouse with a leasing office, fitness center, business center, storage and laundry facilities; a community garden; adog run; a resort-style pool and spa; multiple indoor/outdoor community gathering spaces; open green space areas; and approximately 2,000 square feet of neighborhood retail/commercial. Unit amenities will include: a full appliance package with an electric range, frost-free refrigerator, oven, microwave, dishwasher and garbage disposal; high ceilings; quartz or similar countertops; tile backsplashes; European-style cabinets; full size washers and dryers; wood plank-style flooring; and balconies.

**Unit and Affordability Mix.** The unit mix and affordability restrictions for the Development are expected to be as follows:

Scripps Mesa	Unit Mix	Market	50% AMI**
1 Bedroom/1 Bath	90	72	18
2 Bedroom/2 Bath	143*	114	29
3 Bedroom/2 Bath	31	25	6
<b>Total Units</b>	<b>264</b>	<b>211</b>	<b>53</b>

\*Includes 1 manager’s unit

\*\* AMI = Area median income; Manager’s unit is not subject to affordability restrictions

**Description of Development Site.** The Development is to be constructed on a 6.72 acre site located at 10380 Spring Canyon Road in San Diego. The Site is owned by the SDUSD and is currently improved with the Scripps Mesa Community Center and Innovations Academy Charter School, which will be relocated and razed prior to construction.

Located in the Miramar Ranch North Community of San Diego, the Development Site is 1.0 mile from Interstate 15, north of the pick-up location for the 964 bus line and south of

the pick-up location for the 944 bus line. Surrounding land uses consist of a mixture of commercial and residential development:

- To the West: Scripps Ranch Marketplace, a shopping center that includes a CVS pharmacy, a Vons Grocery, a bank and several smaller retail establishments.
- To the East: Spring Canyon Park and Dingerman Elementary School
- To the North and South: Single family housing

***Development Subdivisions.*** After the Bond closing, the Site and Development will be subdivided into eight separate parcels for financing purposes. There will be separate ownership of the market rate units, affordable units, the commercial/retail component, the STEAM facility and other project components.

***Ownership of the Residential Portion of the Development.*** The residential portion of the Development eventually will be comprised of two parcels, each with separate ownership entities.

At Bond closing, ownership of the Development will be in the name of Scripps MU Owner, L.P., a California limited partnership (“Scripps MU Owner”), consisting of Monarch Essex Scripps GP, LLC as the sole general partner. Monarch Essex Scripps GP, LLC is a California limited liability corporation that will be 100% owned by Monarch Essex Scripps, LLC which, in turn, will be owned: (a) 50.5% by Essex Scripps, LLC and (b) 49.5% Monarch Scripps Mesa, LLC, created by Essex and Monarch, respectively.

After the Bond closing but prior to the closing of the tax credits for the Development, Scripps MU Owner will assign its interest in the parcel with the affordable units to Scripps AU Owner, L.P., a California limited partnership consisting of: (a) Monarch Essex Scripps GP, LLC as administrative general partner, (b) AOF Scripps Mesa LLC, a California limited liability corporation created by AOF/Pacific Affordable Housing Corp., a California not-for-profit public benefit corporation; and (c) a tax credit limited partner to be identified.

***Developer Experience.*** The Developer will be a joint venture consisting of Essex Portfolio, LP and Monarch Scripps Mesa, LLC, entities created by Essex and Monarch, respectively. According to Monarch, Essex and Monarch, collectively, have more than 40 years of experience in financing, developing and/or rehabilitating multifamily rental housing. For Monarch, this experience encompasses over 11,000 units in more than 50 developments in the San Diego region. Essex has interests in 245 apartment communities aggregating more than 59,000 residential units, including 19 properties in the San Diego region comprising 5,440 units. Notable new construction projects include:

- 537 unit development (500 Folsom) in San Francisco, completed in 2019
- 187 unit development (The Huxley) in West Hollywood, completed in 2014
- 184 unit development (The Dylan) in West Hollywood, completed in 2014
- 275 unit development (Belmont Station) in Los Angeles, completed in 2009

**CDLAC/CTCAC.** On August 16, 2019, the Housing Authority filed an application to CDLAC requesting a private activity bond allocation of \$100,000,000 for the Development. On October 16, 2019, CDLAC awarded private activity bond allocation in the requested amount. The CDLAC allocation will expire in approximately 180 days after its award – on April 13, 2020. On January 17, 2020, the Borrower filed an application to the California Tax Credit Allocation Committee (“CTCAC”) requesting a reservation of 4% low income tax credits for the Development. The Borrower expects that CTCAC will award the tax credit reservation at its meeting on March 18, 2020.

In connection with the CDLAC application process, on June 25, 2019, the Housing Authority adopted a resolution of intent to issue tax-exempt obligations for the Development and authorized the submission of the application to CDLAC. On the same date, a TEFRA hearing, duly noticed, was held before the City Council at which time the Development was approved for purposes of Section 147 of the Internal Revenue Code. The TEFRA approval was signed July 8, 2019.

## PROPOSED FINANCING

**Project Costs and Funding.** According to most recent projections provided by Monarch, the total costs of the Development, including construction and all soft costs, are estimated at \$113,457,716. The estimated sources of funds will differ during the construction period and following construction and lease-up (“at permanent”), as shown in the following table based on the most recent projections:

ESTIMATED DEVELOPMENT SOURCES AND USES		
Sources of Funding	Construction	Permanent
<i>Bond proceeds</i>	\$90,000,000	\$90,000,000
<i>LIHTC</i>	0	8,878,328
<i>Borrower Equity</i>	23,457,716	14,579,388
<b>Total</b>	<b>\$113,457,716</b>	<b>\$113,457,716</b>
Uses of Funding	Construction	Permanent
<i>Land Acquisition</i>	\$3,310,153	\$3,310,153
<i>Construction</i>	76,951,954	76,951,954
<i>Architect &amp; Engineering</i>	3,750,000	3,750,000
<i>Constr. Interest, Tax and Reserves</i>	8,316,250	8,316,250
<i>Contingency</i>	7,909,572	7,909,572
<i>Developer Fee</i>	3,000,000	3,000,000
<i>City Fees, Issuance and Other Soft Costs</i>	10,219,787	10,219,787
<b>Total</b>	<b>\$113,457,716</b>	<b>\$113,457,716</b>

Low income housing tax credits are not needed at Bond closing to fund the construction of the Development. Construction will be funded only from Bond proceeds and Borrower equity (hard dollars). The tax credits will fund at permanent and will be used to repay a portion of the Borrower equity. Unlike 100% affordable transactions where limited

partner tax credit payments are needed as a construction and/or a bond repayment source, the delayed receipt of low income housing tax credits is typical of mixed income transactions.

***The Bonds and Bank Funding Approach.*** The expectation (based on the most recent pro forma) is that the Housing Authority will issue the Bonds in a single tax-exempt series in the estimated amount of \$90,000,000 (but in no case to exceed \$100,000,000).

The Bonds will have the following features:

- The Bonds will be purchased by Bank of America, N.A. (the “Bank”);
- The Bonds will be funded in full at issuance, with proceeds held by a bond trustee (to be bid pursuant to a competitive process) under a trust indenture;
- Unspent Bond proceeds will be invested in an investment agreement with a third party provider that is acceptable to the Bank and Commission;
- The Bonds will have a nominal maturity not to exceed 40 years;
- The Bonds will not amortize during an initial term of between 10 to 20 years (the “Initial Period”);
- The Bonds will bear a fixed rate of interest estimated to be 4.25% during the Initial Period;
- The Borrower intends to enter into fixed to floating rate interest rate swap with a highly-rated counterparty acceptable to the Bank pursuant to which the fixed interest rate will be swapped for a variable interest rate equal to the national variable rate index (“SIFMA”) plus a spread of approximately 1.00% for a period of approximately 5 years. After the swap period, the Borrower may elect to extend the swap or refinance the Bonds. **Neither the Commission nor the Authority will be a party to the interest rate swap;**
- The Bonds will be callable at any time after 4 years;
- The Bonds are expected to close in early April 2020.

The Bank will execute a document with certain required representations to the effect that it has sufficient knowledge and experience to evaluate the risks and merits associated with purchasing the Bonds and has indicated its intention to hold the Bonds for its account. The Bank may transfer all or a portion of the Bonds only to transferees that execute a document with similar representations.

***Housing Commission Financial Involvement.*** The Housing Commission will have no financial involvement with the Development.

***Affordability Restrictions.*** The Development 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 (post-issuance) under which 53 units must be affordable at 50% AMI for a 55-year term to remain eligible for tax credits;

**Cash Flow for the Development.** The Borrower provided pro forma cash flows for the Development. The following table summarizes key elements of the most recent proforma:

	Scripps Mesa
<b>Assumptions</b>	
Vacancy	5%
Revenue Escalation	2%
Operating Expense Escalation	3%
<b>Cash Flow and Coverage</b>	
Stabilized Net Income – First Full Year	\$8,146,250
Expenses	(3,015,000)
Commission Bond Monitoring and Admin Fee <sup>2</sup>	(120,450)
Managing GP and LP Fees	(22,500)
Estimated Net Operating Income	\$4,998,800
Bond Debt Service <sup>3</sup>	(3,825,000)
Debt Service Coverage <sup>4</sup>	1.31x
Available Cash Flow	\$1,173,800

<sup>2</sup> Commission's fee at permanent is 0.125% x permanent loan amount plus monitoring fee of \$150/unit

<sup>3</sup> Assumes an initial Bond par of \$90,000,000 at 4.25%

<sup>4</sup> Net operating income divided by sum of Note Debt Service

The following table shows the Borrower's most recent projected cash flow for the Developments during first full five years following stabilized occupancy:

Escalation		Year				
		1	2	3	4	5
2.00%	<b>Revenues</b>					
	Gross Scheduled Rent	8,575,000	8,746,500	8,921,430	9,099,859	9,281,856
	<b>less 5% vacancy</b>	(428,750)	(437,325)	(446,072)	(454,993)	(464,093)
	<b>Total Net Income</b>	8,146,250	8,309,175	8,475,359	8,644,866	8,817,763
3.00%	<b>Expenses</b>					
	Operating Expenses	(3,015,000)	(3,105,450)	(3,198,614)	(3,294,572)	(3,393,409)
	Bond Monitoring Fee*	(120,450)	(120,450)	(120,450)	(120,450)	(120,450)
	GP Asset Management Fee	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
	<b>Total Expenses + Reserves</b>	(3,147,450)	(3,237,900)	(3,331,064)	(3,427,022)	(3,525,859)
	<b>Net Operating Income</b>	4,998,800	5,071,275	5,144,295	5,217,844	5,291,904
	<b>Bond Debt Service**</b>	(3,825,000)	(3,825,000)	(3,825,000)	(3,825,000)	(3,825,000)
	<b>Debt Service Coverage</b>	1.31x	1.33x	1.34x	1.36x	1.38x
	<b>Cash Flow after Debt Service</b>	1,173,800	1,246,275	1,319,295	1,392,844	1,466,904

\*Assumes 1/8% fee times \$90,000,000 par plus \$150/restricted unit monitoring fee

\*\*Bond debt service assumes 4.25% fixed interest rate and interest only payments

## **PUBLIC PURPOSE**

The Bonds are expected to result in the long-term affordability of 53 one, two and three-bedroom units in the City of San Diego which will be restricted and affordable to households earning 50% AMI.

The Bonds and associated Bond and Tax Regulatory Agreements will require that this affordability level be maintained for a period of 55 years.

## **BENEFITS AND RISKS TO THE COMMISSION**

The Bonds provide a vehicle for financing a portion of the construction costs of the Development. As proposed, the Bonds will result in the long-term affordability of 53 one, 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 direct obligations of the Housing Authority or the City of San Diego. The Bonds will be purchased by the Bank, which has indicated its intention to hold the Bonds for its own account. As the Bonds are callable after 4 years, there is a reasonable chance that the Bonds will be refinanced in full well before final maturity.

The primary risk is construction and lease-up risk – that the Development is not completed and/or leased up. This risk is essentially borne by the Bank which is purchasing the Bonds and the Borrower who is contributing hard equity dollars of more than \$13 million.

If the Housing Authority issues the Bonds, the Commission would receive an issuer fee at Bond closing of \$225,000, equal to 0.25% times the initial aggregate par amount of the Bonds (estimated at \$90,000,00). The Commission also would receive an estimated annual fee of \$112,500 to monitor the Bonds plus (b) a per unit monitor fee of \$150/restricted unit).

Costs of issuance will be funded by the Borrower most likely from equity and/or other funds. The Borrower has agreed to indemnify the Housing Authority and Commission as to matters relating to the Bonds. However, the Borrower is a single purpose entity with no significant assets or sources of income other than the Development and is generally not required to make up any cash flow shortfalls. Accordingly, Monarch and Essex will be providing its indemnification.

## **RECOMMENDATIONS**

Ross Financial recommends that the Housing Authority proceed with the issuance of the Bonds based on the following findings:

- The Bonds will achieve a public purpose by providing 53 affordable units, with all units restricted to income levels at 50% of AMI.


Ms. Jennifer Kreutter  
Re: Scripps Mesa Apartments  
February 11, 2020  
Page 8 of 8

Attachment 6 - Financial Advisor's Recommendation

- The Bonds will be purchased by a well-established, highly capitalized bank that is active in affordable housing lending. The Bonds will be subject to restrictive transfer limitations at all times.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing.
- Based on estimates provided by Monarch, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover permanent debt service on the Bonds.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Peter J. Ross", written in a cursive style.

Peter J. Ross  
Principal