SAN DIEGO HOUSING COMMISSION

**ITEM 101**

# EXECUTIVE SUMMARY

## HOUSING COMMISSION
## EXECUTIVE SUMMARY SHEET

DATE: January 3, 2019 HCR19-003

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Tina Kessler (619) 578-7569

REQUESTED ACTION:
Authorize the issuance of Housing Authority of the City of San Diego (Housing Authority) tax-exempt Multifamily Housing Revenue Bonds to facilitate the acquisition with rehabilitation of West Park, a 47-unit existing development, located at 1830 Fourth Avenue, San Diego 92101, which will include 46 units for seniors and adults with mental disabilities who are experiencing homelessness that will remain affordable for 55 years.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed affordable housing development is a four story, 12,652-square-foot existing building, composed of 47 units located at 1830 4th Avenue. The unit mix would consist of 4 studio units, 42 single room occupancy (SRO) units, and a SRO manager's unit. On average the units are approximately 217 square feet.
- The developer is seeking final approvals to issue up to $9,000,000 in tax-exempt Multifamily Housing Revenue Bonds.
- An allocation of bonds was approved by the California Debt Limit Allocation Committee on December 12, 2018
- The developer is Housing Development Partners (HDP), an affiliate of the Housing Commission. HDP is an experienced developer who has successfully participated in affordable housing developments throughout San Diego, contributing to the affordable housing inventory.
- Total development cost of the development is $15,953,274
- Total development cost per residential units is $331,772
- Housing Commission subsidy per unit is $76,453
- The Housing Commission previously approved an award of 46 federal project based housing vouchers for this development. Units will be set aside for homeless seniors and adults with mental disabilities, filled through the coordinated entry system.
- Additional approvals include a $3,593,274 loan.
- If approved, the developer could commence construction in April 2019 and complete construction by April 2020.

SAN DIEGO HOUSING COMMISSION

**ITEM 101**

# REPORT

**DATE ISSUED:** January 3, 2019 **REPORT NO**: HCR19-003

**ATTENTION:** Chair and Members of the Housing Commission
For the Agenda of January 11, 2019

**SUBJECT:** Final Bond Authorization for West Park

**COUNCIL DISTRICT:** 3

## REQUESTED ACTION

Authorize the issuance of Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to facilitate the rehabilitation of West Park, a 47-unit existing development, located at 1830 Fourth Avenue, San Diego 92101, which will include 46 units for seniors and adults with mental disabilities who are experiencing homelessness that will remain affordable for 55 years.

## 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 $9,000,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate HDP West Park L.P.'s rehabilitation of West Park, a 47-unit development, located at 1830 Fourth Avenue, San Diego, in the Bankers Hill/Park West neighborhood of the Uptown community planning area, which will remain affordable for 55 years.

## SUMMARY

A development summary is at Attachment 1.

**Table 1 – Development Details**

| | |
|---|---|
| Address | 1830 Fourth Avenue |
| Council District | 3 |
| Community Plan Area | Bankers Hill/Park West neighborhood of Uptown Community Planning Area |
| Developer | Housing Development Partners (HDP) |
| Development Type | Rehabilitation |
| Construction Type | Type V, wood frame, stucco construction |
| Parking Type | No parking on-site |
| Housing Type | Multifamily (four-story structure) |
| Lot Size | 5,227 square feet (rectangular in shape) (0.12 acres) |
| Units | 47 (46 units affordable) |
| Density | 392 dwelling units per acre (47 units ÷ 0.12 acres) |
| Unit Mix | 4 studio units, 42 single-room occupancy (SRO) units, and one manager's SRO unit |
| Gross Building Area | 12,652 square feet |
| Net Rentable Area | 10,322 square feet (residential unit total) |

The Development

West Park is a 47-unit existing building constructed in 1989. It is located at 1830 Fourth Avenue, (between Elm Street and Fir Street) (Attachment 2 - site maps). An appraisal, completed by MDS Realty Advisors, an MAI-designated appraiser, provided an "as-is" market value at $5,220,000. West Park is one building with four stories. There is elevator service. There is no on-site parking. HDP intends to convert four of the existing Single-Room Occupancy (SRO) units into four rehabilitated affordable studios. Site amenities include: a courtyard with fountain in the center of the property; a small, exterior laundry area; on-site management office; and secure entry. Bus service is available nearby on Fourth and Fifth Avenues. The property is a 5,227-square-foot lot. Adjacent to the north is multifamily residential and a restaurant. To the south are Elm Street, multifamily residential and office buildings. Located to the east are Fourth Avenue, a newly constructed CVS, parking lot, and a hotel. To the west are Third Avenue, a parking lot, and multifamily residential and religious uses.

Through HOUSING FIRST – SAN DIEGO, the Housing Commission's homelessness action plan, West Park supports the creation of permanent housing opportunities for San Diegans experiencing homelessness... The current phase of HOUSING FIRST – SAN DIEGO, which launched on July 1, 2017, will create permanent housing opportunities for at least 3,000 homeless San Diegans over three fiscal years (2018-2020). This phase builds upon the accomplishments of the programs in the first three years of HOUSING FIRST – SAN DIEGO (2014-2017), which created more than 2,900 housing opportunities for San Diegans experiencing homelessness.

Developer's Request

HDP submitted a request for final steps for the issuance of up to $9,000,000 of tax-exempt Multifamily Mortgage Revenue Bonds.

Building Conditions/Proposed Rehabilitation Work

HDP intends to complete a comprehensive/substantial renovation of West Park. An estimated rehabilitation summary is Attachment 3. A Physical Needs Assessment (PNA) was conducted by Building Consultants, Inc., which identified and assisted in scope refinement.

The renovation will include: the addition of kitchenettes to four of the units to convert the SROs into studios; upgrade existing building systems to extend useful life; add new bathroom fixtures; update fire/life safety components; provide full roof replacement; and paint the interior and exterior of the building. West Park will be rehabilitated in conformance with California Tax Credit Allocation Committee (TCAC) minimum energy efficiency standards for rehabilitation projects, which require demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions. A General Contractor has not yet been selected.

Relocation

During the renovation of West Park, the temporary relocation of up to 47 households will be required. The project is anticipated to begin construction in April of 2019, with an anticipated construction period of approximately 12 months. It is anticipated that all tenants will need to be temporarily housed in hotels for up to four weeks. HDP has contracted with a professional relocation consultant, Clark Land Resources, LLC, to manage the relocation process. HDP West Park L.P. will comply with all applicable relocation laws and ensure that all required notices and associated benefits are provided. The relocation consultant, Clark Land Resources, LLC, will provide ongoing support.

Sustainability Features

West Park will comply with TCAC minimum energy efficiency standards for rehabilitation projects.

Accessibility
TCAC requires wheelchair accessibility in 10 percent of the units, with an additional 4 percent of the units accessible to residents with visual and/or hearing impairment. In the event that existing building conditions prove to be financially infeasible to correct, to comply with the 10 percent TCAC requirement, HDP West Park L.P. and the project architect will work to obtain a waiver from TCAC. HDP and the project architect have been successful with previous waiver requests to TCAC.

Development Team
HDP is a California 501(c)(3) nonprofit public benefit corporation that was incorporated in April 1990 and is an affiliate of the Housing Commission. HDP is a separate legal entity established by the Housing Commission to acquire and develop low- and moderate-income housing and to provide services related to housing. HDP is an experienced developer and has successfully participated in affordable housing developments throughout San Diego. HDP has developed 1,253 units of affordable housing with 284 more units in process, including West Park. HDP's portfolio includes multiple affordable developments utilizing Housing Commission loans.

HDP's previous Housing Commission loans are in full compliance. Based upon the developer's past experience and past performance, staff has determined that the developer has the requisite capacity to successfully complete the proposed West Park rehabilitation. HDP West Park Management, LLC, a California limited liability company, will act as the borrower's Managing General Partner.

Property Management and Supportive Services
West Park is managed by SK Management (SK). SK has substantial experience as a manager of affordable housing, including properties for seniors and special needs tenants with Project-Based Section 8 vouchers and with tax credits.

HDP anticipates that resident supportive services will be provided by County of San Diego Behavioral Health Services, St. Paul's PACE, and Serving Seniors. Units will be set aside for seniors and adults with disabilities who are experiencing homelessness. On-site and off-site supportive services may include: medical support, daily living support, nutrition and transportation support, medications, and medication management, physical and occupational therapy, adult day program, home care (bathing, cleaning, shopping, and meal preparation) in addition to other services as needed on a case-by-case basis for tenants.

**Table 2 Development Team Summary**

| Role | Firm |
|---|---|
| Owner | San Diego Housing Commission |
| Leasehold | HDP West Park, L.P. |
| Managing Partner | HDP West Park Management LLC |
| Tax Credit Investor | Red Stone Equity Partners |
| Construction & Perm Lender | Banner Bank |
| Architect | BASIS Architecture & Consulting |
| Civil Engineer | Kettler Leweck Engineering |
| General Contractor | To be selected |
| Property Manager | SK Management |
| Relocation Consultant | Clark Land Resources, LLC |
| Service Provider | County of San Diego Behavioral Health Services, St. Paul's PACE, and Serving Seniors |

## STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 4.

## FINANCING STRUCTURE

The total development cost has not changed since the previous approvals of preliminary bond authorization by the Housing Commission on June 15, 2018 (Report No. HCR18-061) and the Housing Authority on June 26, 2018 (Report No. HAR18-023).

Permanent Sources and Uses of Financing

The estimated total development costs and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 5) and summarized below.

**Table 3 – West Park Estimated Permanent Sources and Uses**

| Financing Sources | Amounts | Financing Uses | Amounts | Per Unit |
|---|---|---|---|---|
| Permanent loan (multifamily mortgage revenue bonds) | $1,647,001 | Acquisition: | $5,220,000 | $111,064 |
| Housing Commission loan | $3,593,274 | Hard costs | $5,009,730 | $106,590 |
| Seller's Note | $5,220,000 | Soft Costs | $2,403,498 | $51,138 |
| Four percent tax credit equity | $5,132,998 | Financing | $820,575 | $17,460 |
| | | Reserves | $318,245 | $6,771 |
| | | Developer fee | $1,821,225 | $38,749 |
| **Total Development Cost** | **$15,593,274** | **Total Development Cost (TDC)** | **$15,593,274** | **$331,772** |

The Housing Commission previously approved a residual receipts loan on June 15, 2018, that will be funded with up to $3,593,274. A final determination of Housing Commission funding sources will be made by the Housing Commission's Executive Vice President & Chief of Staff, or designee, contingent upon budget availability.

Developer Fee

HDP is proposing a developer fee of $1,821,225 ($38,749/unit). The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators that were used to evaluate the proposed development and make a funding recommendation. 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 | $15,593,274 ÷ 47 units = | $331,772 |
| Housing Commission Subsidy Per Unit | $3,593,274 ÷ 47 units = | $76,453 |
| Acquisition Cost Per Unit | $5,220,000 ÷ 47 units = | $111,064 |
| Gross Building Square Foot Hard Cost | $5,009,730 ÷ 12,652 sq. ft. = | $396 |
| Net Rentable Square Foot Hard Cost | $5,009,730 ÷ 10,322 sq. ft. = | $485 |

Prevailing Wages

HDP's use of Project-Based Section 8 vouchers and a potential allocation of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant funds will require payment of

Federal Prevailing wages. The ground lease for the property with the Housing Commission will require the payment of State Prevailing wages. The issuance of bonds does not trigger prevailing wage requirements.

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project.

**Table 5 – Comparable Development Projects**

| Project Name | Year | Construction Type | Units | Total Development Cost | Cost Per Unit | HC Subsidy Per Unit | Gross Hard Cost Per Sq. Ft. |
|---|---|---|---|---|---|---|---|
| West Park | 2018 | V | 47 | $15,593,274 | $331,772 | $76,453 | $396 |
| Beacon | 2017 | V | 44 | $18,275,881 | $415,361 | $74,419 | $388 |
| San Ysidro Senior Village | 2018 | V | 51 | $16,939,132 | $332,140 | $14,901 | $347 |
| Imperial Apts. | 2017 | V Over I | 63 | $20,420,000 | $324,127 | $54,762 | $299 |

## TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

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 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. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council Tax Equity and Fiscal Responsibility (TEFRA) resolutions must be secured no later than 30 days after application submittal. On June 26, 2018, these actions were completed for West Park.

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. On October 12, 2018, a West Park application was submitted to CDLAC for a bond allocation of up to $9,000,000. On December 12, 2018, TCAC and CDLAC approved an allocation of 4 percent tax credits and an up to $9,000,000 tax-exempt Multifamily Housing Revenue Bonds allocation. The developer proposes 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. The developer proposes that the bond proceeds will be used for both construction financing and permanent financing.

Public Disclosure on Bond Authorization

The tax-exempt debt, in the forms of the bonds/note, will be sold through a private placement, purchased directly by Banner Bank. Banner Bank is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing Banner Bank will sign an "Investor's Letter" certifying, among other things, that it is buying the bonds/note for its own account and not for public distribution. Because the bonds/note

is being sold through a private placement, an Official Statement will not be used. In addition, the bonds/note will be neither subject to continuing disclosure requirements nor credit enhanced nor rated. Under the private placement structure for this transaction, Banner Bank will make a loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Banner Bank, the Housing Authority, and a to be selected Fiscal Agent. The loan made by Banner Bank to the Housing Authority (Funding Loan) will be evidenced by the bonds/note, which will obligate the Housing Authority to pay Banner Bank the amounts 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 for the Fiscal Agent to make payments on the bonds/note. The Housing Authority's obligation to make payments on the bonds/note is limited to 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/note. The transfer of the bonds/note to any subsequent purchaser will comply with Housing Commission policy number PO300.301. Moreover, any subsequent bonds/note holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the bonds/note for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the bonds/note. The following documents will be executed on behalf of the Housing Authority with respect to the bonds/note: 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/note will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan agreement, Banner Bank will disburse the bonds/note 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 repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to received repayments under the loan to Banner Bank. The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. 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 Banner Bank, is signed by the Housing Authority for the benefit of Banner Bank. Rights and responsibilities that are assigned to Banner Bank include the right to collect and enforce the collection of loan payments, monitor project rehabilitation and related budgets, and enforce insurance and other requirements. These rights will be used by Banner Bank to protect its financial interests as the holder of the bonds/note.

Financial Advisor's Recommendation

Jones Hall will be the bond counsel and Ross Financial will be 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 should proceed with the bond issuance. The financial advisor's analysis and recommendation is included as Attachment 7.

## AFFORDABLE HOUSING IMPACT

On December 12, 2017, Housing Commission staff approved a commitment of 46 Section 8 Project-Based Housing Vouchers for West Park. Under this program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for the project's residents. Under the proposed

loan, the development will be subject to a Housing Commission Declaration of Covenants and Restrictions in addition to applicable tax credit and bond regulatory agreements that will restrict the affordability of 46 units for 55 years. The project's 46 units will be affordable to tenants with income levels ranging from 50 percent of Area Median Income (AMI), $34,100/year for a one-person household, to 60 percent of AMI, $40,920/year for a studio one-person household.

**Table 6 West Park Affordability and Monthly Estimated Rent Table**

| Affordability Mix | Studios | SRO | Estimated Rent * |
|---|---|---|---|
| 50% AMI tax credit units | 4 | 0 | $1,085 |
| 50% AMI tax credit units | 0 | 8 | $815 |
| 60% AMI tax credit units | | 34 | $815 |
| Manager's unrestricted unit | -- | 1 | -- |
| Subtotal | 4 | 43 | |
| **Combined Total Units** | 47 | | |

* Based on Section 8 Project-Based Rent.

## FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2019 Budget. Approving this action will result in the rehabilitation of a 47-unit development.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - $22,500

Funding uses approved by this action will be as follows:

Administrative Costs - $22,500

There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority associated with the requested bond actions. The bonds will not constitute a debt of the City of San Diego. If bonds are ultimately issued for the project, 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. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will 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's .0025 bond amount issuer fee (estimated at $22,500 with a $9,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at $10,000) with an estimated $1,647,001 outstanding bonds amount at permanent financing conversion.

Development Schedule

The estimated development timeline is as follows:

| Milestones | Estimated Dates |
|---|---|
| • Housing Authority final bond authorization | • February 2019 |
| • Bond issuance and escrow closing | • March 2019 |
| • Start of construction work | • April 2019 |
| • Completion of construction work | • April 2020 |

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On June 15, 2018, the Housing Commission (HCR18-061) approved a residual receipts loan of up to $3,593,274 to HDP West Park L.P. to facilitate the project's rehabilitation. On June 15, 2018, and June 26, 2018, respectively, the Housing Commission (Report. No. HCR18-061) and the Housing Authority (Report No. HAR18-023) approved preliminary steps to issue up to $9,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS**

HDP presented the project to the Uptown Community Planning Group on June 5, 2018, and to the Bankers Hill Community Group on July 16, 2018.

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders for this project include the residents of West Park, HDP as developer and managing member of the borrower HDP West Park L.P., the residents of the Bankers Hill/Park West neighborhood, service providers, and the Housing Commission as the property owner. The property rehabilitation is expected to have a positive impact on the community because it will preserve existing affordable housing for downtown seniors.

**ENVIRONMENTAL REVIEW**

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to section 15301 of the State CEQA Guidelines because the project is an existing facility and the proposed actions do not involve expansion of the existing use. The project meets the criteria set forth in CEQA Section 15301(a), which allows for exterior and interior alterations of existing facilities. Processing under the National Environmental Policy Act (NEPA) is not required as there are no Federal funds involved with this proposed action.

**HDP Conflict Disclosure Statement:**

HDP's Board of Directors includes the President and CEO of the Housing Commission, Commissioners Stefanie Benvenuto and Tim Walsh, and community members. The current HDP Board consists of five members. Commissioners Benvenuto and Walsh, and President and CEO of the Housing Commission, Richard Gentry, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Commissioner Benvenuto, Commissioner Walsh, and CEO Gentry receive no compensation for their service on the Housing Development Partners Board of Directors. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), Commissioner Benvenuto, Commissioner Walsh, and CEO Gentry each have a "non-interest" as described in Government Code Section 1091.5. Furthermore, none of HDP's board members has a financial interest in this development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et. seq. because a 501(c)(3) nonprofit corporation is not a business entity for the purposes of state law and because HDP has been determined to be a public agency by the Ethics Commission for local conflict law purposes and/or the Housing Commission's Conflict of Interest Code. As members of the Board of Commissioners of the Housing Commission, Ms. Benvenuto and Mr. Walsh are legally entitled to vote and be counted for quorum purposes. This disclosure shall be and is hereby documented in the official records of the Housing Commission. Further, HDP may form an affiliated limited partnership and under such a scenario, HDP will be the managing general partner for its affiliated limited partnership. The grantee HDP Quality Inn LLC's affiliated managing general partner is planned to have the same makeup as the HDP Board and Commissioners Benvenuto, Walsh and CEO Gentry will all have non-interests with any affiliated limited partnership or LLC. This disclosure shall be and is hereby documented in the official records of the Housing Commission.

Respectfully submitted,

*Tina Kessler*

Tina Kessler
Housing Programs Manager
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. Rehabilitation Summary
4. Developer Disclosure Statement
5. Developer's Pro Forma
6. Multifamily Bond Program Summary
7. Financial Advisor's Recommendation

Hard copies are available for review during business hours at the security information desk in the main lobby and 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

# Attachment 1

**Table 1 – Development Details**

| | |
|---|---|
| Address | 1830 Fourth Avenue |
| Council District | 3 |
| Community Plan Area | Bankers Hill/Park West neighborhood of Uptown Community Planning Area |
| Developer | Housing Development Partners (HDP) |
| Development Type | Acquisition with rehabilitation |
| Construction Type | Type V, wood frame, stucco construction |
| Parking Type | No parking on-site |
| Housing Type | Multifamily (four-story structure) |
| Lot Size | 5,227 square feet (rectangular in shape) (0.12 acres) |
| Units | 47 (46 units affordable) |
| Density | 392 dwelling units per acre (47 units ÷ 0.12 acres) |
| Unit Mix | 4 studio units, 42 single-room occupancy (SRO) units, and one manager's SRO unit |
| Gross Building Area | 12,652 square feet |
| Net Rentable Area | 10,322 square feet (residential unit total) |

**Table 2 Development Team Summary**

| Role | Firm |
|---|---|
| Owner | San Diego Housing Commission |
| Leasehold | HDP West Park, L.P. |
| Managing Partner | HDP West Park Management LLC |
| Tax Credit Investor | Red Stone Equity Partners |
| Architect | BASIS Architecture & Consulting |
| Civil Engineer | Kettler Leweck Engineering |
| General Contractor | To be selected |
| Property Manager | SK Management |
| Relocation Consultant | Clark Land Resources, LLC |
| Service Provider | County of San Diego Behavioral Health Services, St. Paul's PACE, and Serving Seniors |
| Construction & Perm Lender | Banner Bank |

**Attachment 2**

**Site Map**

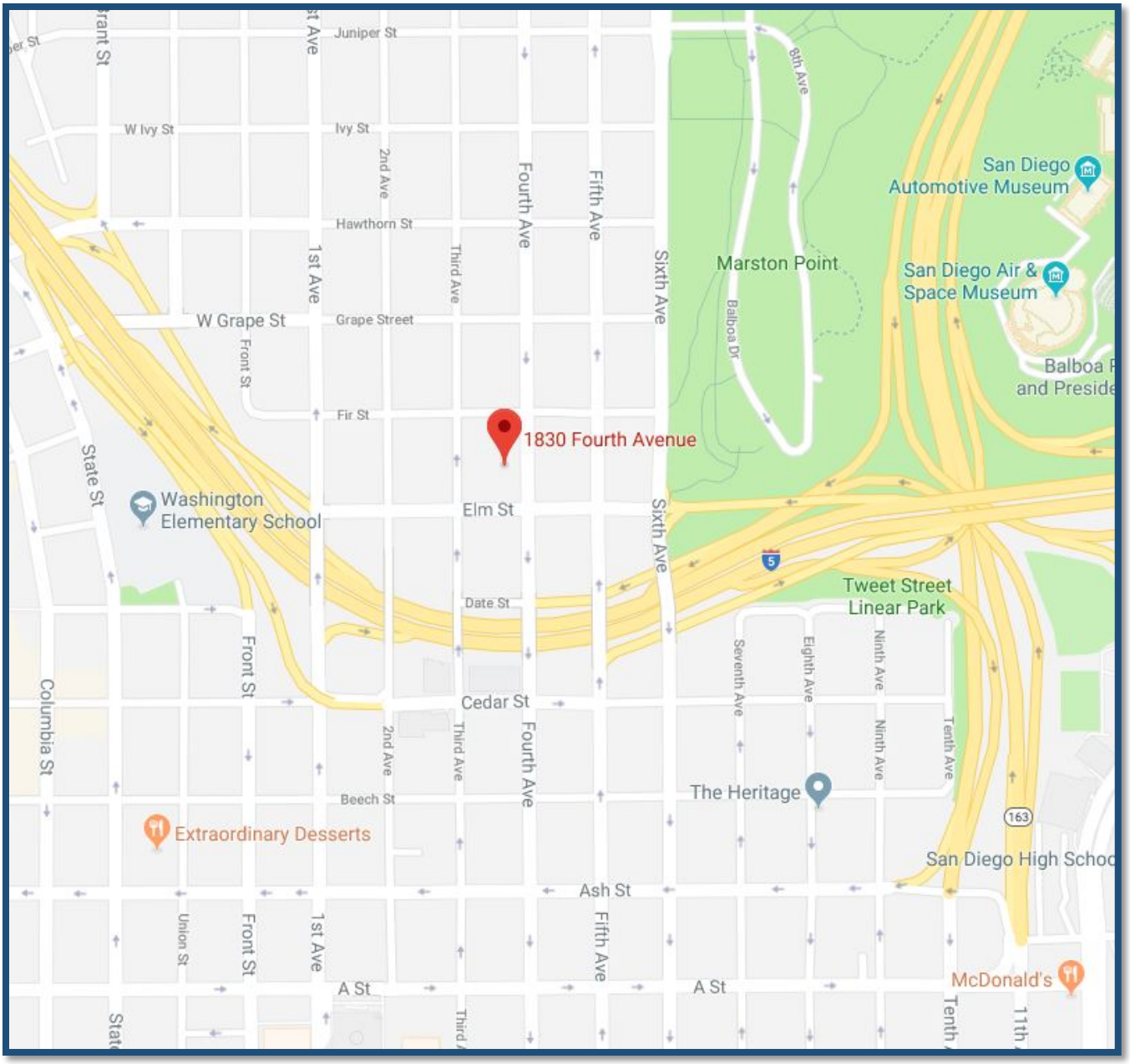

**Table 3 – West Park Estimated Permanent Sources and Uses**

| **Financing Sources** | **Amounts** | **Financing Uses** | **Amounts** | **Per Unit** |
|---|---|---|---|---|
| Permanent loan (multifamily mortgage revenue bonds) | $1,647,001 | Acquisition: | $5,220,000 | $111,064 |
| Housing Commission loan | $3,593,274 | Hard costs | $5,009,730 | $106,590 |
| Seller's Note | $5,220,000 | Soft Costs | $2,403,498 | $51,138 |
| Four percent tax credit equity | $5,132,998 | Financing | $820,575 | $17,460 |
| | | Reserves | $318,245 | $6,771 |
| | | Developer fee | $1,821,225 | $38,749 |
| **Total Development Cost** | **$15,593,274** | **Total Development Cost (TDC)** | **$15,593,274** | **$331,772** |

**Table 4 - Key Performance Indicators**

| | | |
|---|---|---|
| Development Cost Per Unit | $15,593,274 ÷ 47 units = | $331,772 |
| Housing Commission Subsidy Per Unit | $3,593,274 ÷ 47 units = | $76,453 |
| Acquisition Cost Per Unit | $5,220,000 ÷ 47 units = | $111,064 |
| Gross Building Square Foot Hard Cost | $5,009,730 ÷ 12,652 sq. ft. = | $396 |
| Net Rentable Square Foot Hard Cost | $5,009,730 ÷ 10,322 sq. ft. = | $485 |

**Table 5 – Comparable Development Projects**

| Project Name | Year | Construction Type | Units | Total Development Cost | Cost Per Unit | HC Subsidy Per Unit | Gross Hard Cost Per Sq. Ft. |
|---|---|---|---|---|---|---|---|
| West Park | 2018 | V | 47 | $15,593,274 | $331,772 | $76,453 | $396 |
| New Palace | 2017 | V | 80 | $21,804,349 | $272,555 | $38,750 | $230 |
| Zephyr | 2017 | V | 85 | $27,225,500 | $320,300 | $35,294 | $180 |
| Hotel Churchill | 2015 | V | 73 | $20,709,984 | $287,891 | $210,910 | $539 |

**Table 6 West Park Affordability and Monthly Estimated Rent Table**

| **Affordability Mix** | **Studios** | **SRO** | **Estimated Rent *** |
|---|---|---|---|
| 50% AMI tax credit units | 4 | 0 | $1,085 |
| 50% AMI tax credit units | 0 | 8 | $815 |
| 60% AMI tax credit units | | 34 | $815 |
| Manager's unrestricted unit | -- | 1 | -- |
| Subtotal | 4 | 43 | |
| **Combined Total Units** | 47 | | |

* Based on Section 8 Project-Based Rent and owner paid utilities.

# West Park

Proposed Scope

- Fumigation/Tenting - Termite & insect remediation per Termite Inspector's report
- Elevator Rehab/Modernization
- Demolition & removal/disposal of debris as required to achieve final scope
- Repair & replacement of structure and substrates as required to achieve final scope
- Accessibility upgrades as required and as technically feasible
- Refresh common area finishes as required (community room, fitness room, courtyards)
- Build out of service provider office space(s) (Park West only)
- New interior finishes in Units
    - Vinyl Plank/Sheet Vinyl throughout
    - Replace/resurface drywall as req'd
- Replacement of existing plumbing fixtures – in-kind/in-place
    - Microbial growth remediation, per VM3 report recommendations
- Replacement lighting – LED's & ceiling fans
- Improved unit-ventilation – continuous/"whole-house" fan or equivalent
- Upgrade Unit HVAC systems – mini-splits or replacement PTAC units
- Replacement of boilers/hot water systems
- Addition of kitchenettes to units as able; to consist of:
    - 2-burner range w/overhead exhaust fan, ducted to outside
    - Microwave
    - Sink w/ garbage disposal
    - Refrigerator/Freezer
    - Cabinetry & solid surface countertops
- Adjustment & Repair/replacement of door hardware
- Window hardware repair/replacement
- Resurface/reslope exterior walkways (cementitious waterproof decking)
- Repair/replacement of steel guardrails
- Exterior Plaster repair & repaint
- Replace Roof, gutters, leaders, outlets & associated flashing
- Safety tiebacks/cable rails for roof maintenance
- Project Signage/awnings
- Solar/thermal energy measures, as able
- Repair/replacement of landscaping & irrigation systems

SAN DIEGO HOUSING COMMISSION

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

1. Name of CONTRACTOR: Housing Development Partners of San Diego
2. Address and ZIP Code: 701 B Street San Diego, CA 92101
3. Telephone Number: 619-578-7423
4. Name of Principal Contact for CONTRACTOR: Emily S. Jacobs
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0427639
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: _____
(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:
Housing Development Partners was formed in California in April 1990 as a 501(c) (3) non-profit

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 percent 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.

c. 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.
d. 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.
e. 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 percent.(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 and Address** | **Position Title (if any) and percent of interest or description of character and extent of interest** |
| Name: Richard C. Gentry | President and CEO |
| Address: 619-578-7532 | 0 |
| | |
| Name: Gary Grambling | HDP Board Vice President and Audit Committee Member |
| Address: 760-455-4978 | 0 |
| | |
| Name: Roberta Spoon | HDP Board Assistant Secretary and Audit Committee Member |
| Address: 619-234-4173 | 0 |
| | |
| Name: Dottie Surdi | HDP Board Secretary |
| Address: 858-452-9100 | 0 |
| | |
| Name: Ben Moraga | HDP Board Member |
| Address: 805-208-1993 | 0 |
| | |
| Name: | |
| Address: | |
| | |
| | |
| | |

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 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

| Name and Address | Position Title (if any) and percent of interest or description of character and extent of interest |
|---|---|
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |
| 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:

| Name and Address | Position Title (if any) and percent of interest or description of character and extent of interest |
|---|---|
| Name: Michael C. Pavco | Senior Vice President |
| Address: 1100 Broadway | |
| San Diego, CA 92101 | |
| Name: Emily S. Jacobs | |
| Address: 701 B Street | Vice President |
| San Diego, CA 92101 | |
| Name: Colin Miller | Director |
| Address: 701 B Street | |
| San Diego, CA 92101 | |

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 any 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.

| Name and Address | Relationship to CONTRACTOR |
|---|---|
| Name: San Diego Housing Commission | Affiliate through shared board members, Gentry, Gramling, Spoon |
| Address: 1122 Broadway | |
| San Diego, CA 92101 | |
| 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.

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:

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: US Bank
    Address: 11988 El Camino Real, Suite 100 San Diego, CA 92130

Amount: $ 5,921,062

b. By loans from affiliated or associated corporations or firms:
Name:
Address:
Amount: $

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

| 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: US Bank | |
| Address: SDHC | |
| San Diego, CA 92101 | |
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |

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.
N/A

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.
N/A

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:

| Type of Bond | Project Description | Date of Completion | Amount of Bond | Action on Bond |
|---|---|---|---|---|
| N/A | | | | |
| | | | | |
| | | | | |
| | | | | |

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:

a. Name and addresses of such contractor or builder:

| Name and Address | Affiliation |
|---|---|
| Name: N/A | N/A |
| 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?

☐ Yes ☒ No

If yes, please explain, in detail, each such instance:
N/A

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:
N/A

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)

| | | |
|---|---|---|
| **Project Name** | N/A | |
| **Project Owner Contact Information** | | |
| | Name | Address |
| **Project Location** | | |
| **Project Details** | | |
| **Bonding Company Involved** | | |
| | Name | Amount of Contract |
| **Change Order Details** | | |
| **Change Order Cost** | | |
| **Litigation Details** | | |
| | Location/Date | Outcome Details |

d. Construction contracts or developments now being performed by such contractor or builder:

| Identification of Contract or Development | Location | Amount | Date to be Completed |
|---|---|---|---|
| N/A | | | |
| | | | |
| | | | |

e. Outstanding construction-contract bids of such contractor or builder:

| Awarding Agency | Amount | Date Opened |
|---|---|---|
| N/A | | |
| | | |
| | | |

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:

23. Does any member of the governing body of 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 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:

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:

See attached General Insurance Policy for HDP

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:

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:

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

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)]

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)]

d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

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 SDHC setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of 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 SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which 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:

| Government Entity Making Complaint | Date | Resolution |
|---|---|---|
| N/A | | |
| | | |
| | | |

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:

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

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 SDHC.
N/A

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 SDHC.

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

| **Date** | **Entity Involved (i.e. City SDHC, etc)** | **Status (Current, delinquent, repaid, etc.)** | **Dollar Amount** |
|---|---|---|---|
| | SDHC | Current | $15,396,409 |
| | City (Civic San Diego) | Current | $3,000,000 |
| | SDHC | Current | $2,693,633 |
| | SDHC | Current | $511,708 |
| | SDHC | Current | $1,600,000 |
| | SDHC | Current | $6,000,000 |
| | SDHC | Current | $4,400,000 |
| | | | |
| | | | |

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 projects:

1. Name: San Diego Housing Commission
   Address: 1122 Broadway, San Diego, CA 92101
   Phone:

Project Name and Description: San Diego Square- acquisition and substantial renovation of a 156-unit senior HUD building

2. Name: Civic San Diego
   Address: 401 B Street Suite 400, San Diego, CA 92101
   Phone: 619-235-2200
   Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego
3. Name: California Housing Finance Agency
   Address: 500 Capitol Mall, Ste 1400, Sacramento, CA 95814
   Phone: 877-922-5432
   Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

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.

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

| **Name** | **Experience** |
|---|---|
| TBD | |

## 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 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 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 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.

Executed this _____ day of May, 2018, at San Diego, California.

CONTRACTOR

By: _____
Signature

Vice President
Title

## CERTIFICATION

The CONTRACTOR, Housing Development Partners , 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.

By: Emily S. Jacobs

Title: Vice President

Dated: May , 2018

By: _____

Title: _____

Dated: _____

**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.**

## JURAT

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

Subscribed and sworn to (or affirmed) before me on this 15 day of May, 20 18

by Emily S. Jacobs personally known to me or proved to me on the basis of

satisfactory evidence to be the person(s) who appeared before me.

Alischa N. Anderson
Signature of Notary

SEAL

ALISCIA N. ANDERSON
Notary Public - California
San Diego County
Commission # 2240031
My Comm. Expires Apr 27, 2022

# West Park

**Acquisition Rehab - 4%**

Draft Date: 12/02/2018 - 6:26 PM

## SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS

| GENERAL PROJECT INFORMATION | |
|---|---|
| Project Name | West Park |
| Purchase Price | $5,220,000 |
| Project Address | 1830 W Fourth Ave. |
| Year Built | 1991 |
| Site Acreage | 0.12 |
| Total Units | 47 ( aproximately 392 units/acre) |
| MSA | San Diego County |
| Area Media Income | $72,200 |
| Project Type | Acquisition Rehab - 4% |
| Prospected Owner Entity | HDP West Park L.P. |

| BUILDING AREA | | | | | | |
|---|---|---|---|---|---|---|
| Residential Rentalable SF | | | | | | sf |
| Common Areas | | | 20% | of Res sf | | sf |
| **Subtotal Residential SF** | | | | | - | **sf** |
| Commercial / Retail / Office Rentable SF | | | | | | sf |
| Common Areas | | | | | | sf |
| **Subtotal Commercial SF** | | | | | - | **sf** |
| Parking Structure | 0 Spaces | @ | 390 | sf per space | - | **sf** |
| On Grade Parking | 0 Spaces | @ | 300 | sf per space | - | **sf** |
| **Subtotal Parking SF** | | | | | - | **sf** |
| **Approximate Gross Building Area** | | | | | - | **sf** |

## SECTION 2: UNIT MIX & PROJECT INCOME

**RESIDENTIAL INCOME**

| Bedroom Type | | Number of Units | % of Total | Net Area (SF) | Gross Square Feet | Proposed Rents | Utility Allowance | Market Rent | Maximum Rent | Spread to Market | Monthly Income | Annual Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 Bedroom | SRO | 42 | 89.4% | 220 | 9,240 | $815 | $0 | $1,100 | $815 | 0% | $34,230 | $410,760 |
| 0 Bedroom | Studio | 4 | 8.5% | 220 | 880 | $1,085 | $0 | $1,100 | $1,085 | 0% | $4,340 | $52,080 |
| 0 Bedroom | | | 0.0% | 0 | 0 | $0 | $0 | $0 | $0 | 0% | $0 | $0 |
| 1 Bedroom | Manager | 1 | 2.1% | 350 | 189 | $0 | $0 | $1,100 | $0 | 0% | $0 | $0 |
| 2 Bedroom | Manager | 0 | 0.0% | 0 | 0 | $0 | $0 | $0 | $0 | 0% | $0 | $0 |
| **Total/Average** | | **47** | **100.0%** | **223** | **10,309** | **$0** | **$0.00** | | **$821** | **0%** | **$38,570** | **$462,840** |

| COMMERCIAL INCOME (NNN) | | | | |
|---|---|---|---|---|
| Unit Type | Net SF | $/SF/Month | Monthly | Annual |
| Commercial Suites | 0 | $0.00 | $0 | $0 |
| Vacancy | 5% | | | $0 |
| **Total** | | | | **$0** |

| OTHER INCOME | | | |
|---|---|---|---|
| **Residential** | **$/unit/Month** | **Monthly** | **Annual** |
| Parking Income | $0.00 | $0 | $0 |
| Storage Income | $0.00 | $0 | $0 |
| Laundry Income | $10.00 | $470 | $5,640 |
| Fees and Charges | $0.00 | $0 | $0 |
| Other | $0.00 | $0 | $0 |
| **Total other income/month** | **$10.00** | **$470** | **$5,640** |

| ESCALATORS & VACANCY | |
|---|---|
| Item | Rate |
| **Escalator for Income** | 2.0% |
| **Escalator for Expenses** | 3.0% |
| **Escalator for P'ship Expenses** | 3% |
| **Escalator for Misc Expenses** | 0.0% |
| **Residential Vacancy** | 5.0% |

## SECTION 3: EXPENSES

| Category | Per Unit | | Total Annual |
|---|---|---|---|
| Professional Management | $569 | per unit | $26,742 |
| Administrative | $491 | per unit | $23,058 |
| Accounting/Audit | $131 | per unit | $6,169 |
| Advertising | $5 | per unit | $250 |
| Legal | $23 | per unit | $1,058 |
| **Payroll & Benefits** | | | |
| Onsite Staff (Mgr & Maintenance) | $1,349 | per unit | $63,416 |
| Payroll Taxes | $208 | per unit | $9,776 |
| Benefits | $374 | per unit | $17,590 |
| **Utilities** | | | |
| Gas | $203 | per unit | $9,550 |
| Electricity | $700 | per unit | $32,900 |
| Water/Sewer/Garbage/Cable | $593 | per unit | $27,877 |
| Maintenance | | | |
| Repairs and Supplies | $132 | per unit | $6,198 |
| Contracts | $447 | per unit | $21,015 |
| Security | $0 | per unit | |
| Insurance/Taxes | $334 | per unit | $15,682 |
| Service Coordinator | $255 | per unit | $12,000 |
| Replacement Reserves | $350 | per unit | $16,450 |
| Compliance Monitoring | $372 | per unit | $17,500 |
| **Total Expenses** | $6,537 | | **$307,229** |

## SECTION 4: PROJECT MILESTONES

| Architectural Milestones | Date |
|---|---|
| Schematic Drawings | na |
| Design & Development | na |
| Construction Drawings | na |

| Approval Milestones | Date |
|---|---|
| HC Board Date | |
| Housing Authority/TEFRA | |
| CDLAC Application Date | |
| TCAC Application Date | |
| CDLAC Allocation Date | |
| TCAC Allocation Date | |
| Closing Date | |

| Construction Milestones | Month | Date |
|---|---|---|
| Construction Start | 0 | |
| 25% Completion | 3 | |
| 50% Completion | 6 | |
| 75% Completion | 9 | |
| 100% Completion | 12 | |
| Conversion/8609s | 15 | |

## SECTION 5: OTHER ASSUMPTIONS

| Waterfall Assumptions | |
|---|---|
| SNHP Compliance Monitoring Fee | $0 |
| LP Asset Management Fee | $5,000 |
| Non Profit Management Fee | $7,500 |
| Interest On Deferred Dev Fee | 0.00% |
| Residual Cash Flow Split to P'ship | 50.0% |
| LP Share of Partnership CF | 0.0% |
| Residual Receipts Lender Split | Proportional |
| Ground Lease (% of EGI) Years 1-17 | 4.5% |
| Ground Lease (% of EGI) Years 17-55 | 4.5% |
| Other | |

| LP Equity Share | |
|---|---|
| LP Share of Tax Credits | 99.99% |

| 50% Test | |
|---|---|
| Eligible Basis + Land | $14,911,819 |
| Amount Financed By Bonds | $9,000,000 |
| Percent of Financed by Bonds | 60% |

## SECTION 6: FINANCING SOURCE ASSUMPTIONS

| PERM LOAN | |
|---|---|
| DSCR | 1.25 |
| Amort (Years) | 35 |
| All-in Rate | 5.8% |
| Annual PMT | 110,261 |
| Perm Loan Amt | $1,647,001 |

| SOFT LOAN | |
|---|---|
| Principal | $3,593,274 |
| Interest (Simple) | 3.00% |
| Term | 55 |
| Annual Payment | Residual Rec. |

| SELLER LOAN | |
|---|---|
| Principal | $5,220,000 |
| Interest (Simple) | 3.00% |
| Term | 55 |
| Annual Payment | |

| LAND DONATION | |
|---|---|
| Land Value | $0.00 |

| CONSTRUCTION LOAN | |
|---|---|
| AMT | 9,000,000 |
| Term (months) | 18 |
| Rate | 5.3500% |

| LIHTC EQUITY | |
|---|---|
| DDA/QCT | Yes |
| **AFR** | 3.27% |
| Credit Pricing | $0.94 |
| Investor Share of Credits | 99.99% |

| ACQUIRED RESERVES | |
|---|---|
| Existing Reserves | $0 |

| LIHTC PAY-IN SCHEDULE | | | |
|---|---|---|---|
| Closing | 15% | $ | 769,950 |
| 25% Completion | 0% | $ | - |
| 50% Completion | 0% | $ | - |
| 75% Completion | 0% | $ | - |
| 100% Completion | 0% | $ | - |
| Conversion/8609 | 85% | $ | 4,363,049 |

## SECTION 7: QUICK LOOK SUMMARY

| Operating Summary | Total | Per Unit | % of EGI |
|---|---|---|---|
| **Gross Rental Income** | **$462,840** | **$9,848** | |
| Other Income | $5,640 | $120 | |
| (Less) Vacancy @ 5% | ($23,424) | ($498) | |
| **Effective Gross** | **$445,056** | $9,469 | |
| Commercial Income | $0 | $0 | |
| (Less) Vacancy @ 0% | $0 | $0 | |
| **Total Gross** | **$445,056** | **$9,469** | |
| (Less) Operating Exp | ($307,229) | ($6,537) | |
| (Less) Land Lease | $0 | $0 | |
| **Net Operating Income** | **$137,827** | **$2,932** | |
| (Less) Debt Service | ($110,261) | ($2,346) | |
| **Net Cash Flow** | **$27,565** | **$586** | |

| Developer Fee Installments | | | |
|---|---|---|---|
| Closing | 4/15/15 | $455,306 | 25% |
| 25% Completion | 1/0/00 | $0 | 0% |
| 50% Completion | 1/0/00 | $0 | 0% |
| 75% Completion | 1/0/00 | $455,306 | 25% |
| 100% Completion | 1/0/00 | $455,306 | 25% |
| 8609s | 1/0/00 | $455,306 | 25% |
| Deferred | As Available | $0 | 0% |
| **Total Developer Fee** | | $1,821,225 | 100% |

| Sources: | Total | Per Unit | % of Total |
|---|---|---|---|
| PERM LOAN | $1,647,001 | $35,043 | 10.6% |
| LIHTC EQUITY | $5,132,999 | $109,213 | 32.9% |
| SOFT LOAN - SDHC | $3,593,274 | $76,453 | 23.0% |
| SOFT LOAN - STATE/TBD | $0 | $0 | 0.0% |
| SOFT LOAN - MHSA | $0 | $0 | 0.0% |
| DEFERRED FEE | $0 | $0 | 0.0% |
| SELLER NOTE | $5,220,000 | $111,064 | 33.5% |
| GAP / (SURPLUS) | ($0) | ($0) | 0.0% |
| **Total Sources** | **$15,593,273** | **$331,772** | **100%** |
| **Uses:** | **Total** | **Per Unit** | **% of Total** |
| BUILDING ACQUISITION | $4,270,909 | $90,870 | 27.4% |
| LAND | $949,091 | $20,193 | 6.1% |
| HARD COSTS | $5,009,730 | $106,590 | 32.1% |
| PERMITS & FEES | $120,000 | $2,553 | 0.8% |
| A&E | $625,000 | $13,298 | 4.0% |
| THIRD PARTY REPORTS | $145,732 | $3,101 | 0.9% |
| FINANCING | $820,575 | $17,459 | 5.3% |
| RESERVES | $318,245 | $6,771 | 2.0% |
| BOND AND TAX CREDIT | $174,324 | $3,709 | 1.1% |
| OTHER SOFT COSTS | $1,338,442 | $28,477 | 8.6% |
| DEVELOPER FEE | $1,821,225 | $38,749 | 11.7% |
| **Total Uses** | **$15,593,273** | **$331,772** | **100.0%** |

# West Park

**DEVELOPMENT COSTS**

**Acquisition Rehab - 4%**

| | | Unit Cost | Total | Per Unit | Acq Basis | Rehab Basis | Non-Basis |
|---|---|---|---|---|---|---|---|
| | **ACQUISITION & CLOSING COSTS** | | | | | | |
| **1005** | LAND | **$949,091** | $949,091 | $20,193 | | | $949,091 |
| **1010** | BUILDINGS | **4,270,909** | $4,270,909 | $90,870 | $4,270,909 | | $0 |
| **1015** | ESCROW DEPOSIT - Refundable | **$0** | $0 | $0 | | | $0 |
| **1020** | ESCROW DEPOSIT - NonRefundable | **$0** | $0 | $0 | $0 | $0 | $0 |
| **1025** | BROKER FEE/COMMISSION | **3%** | $0 | $0 | $0 | $0 | $0 |
| **1030** | OTHER ACQUISITION COSTS | **0%** | $0 | $0 | $0 | $0 | $0 |
| | **TOTAL ACQUISITION & CLOSING COSTS** | | $5,220,000 | $111,064 | $4,270,909 | $0 | $949,091 |
| | **HARD COSTS** | | | | | | |
| **2030** | REHABILITATION (RESIDENTIAL) Prevail. Wage | **$85,000** | $3,995,000 | $85,000 | | $3,995,000 | |
| **2035** | COMMERCIAL HARD COSTS | **$0** | $0 | $0 | | $0 | $0 |
| **2045** | GENERAL CONDITIONS/REQUIREMENTS | **6.00%** | $239,700 | $5,100 | | $239,700 | |
| **2050** | GENERAL CONTRACTOR FEE (OHP) | **8.00%** | $319,600 | $6,800 | | $319,600 | |
| **2060** | HARD COST CONTINGENCY (OWNER) | **10.00%** | $455,430 | $9,690 | | $455,430 | |
| | **TOTAL HARD COSTS** | | $5,009,730 | $106,590 | $0 | $5,009,730 | $0 |
| | **PERMITS & FEES** | | | | | | |
| **3030** | MUNICIPAL | **$120,000** | $120,000 | $2,553 | | $120,000 | |
| | **TOTAL PERMITS & FEES** | | $120,000 | $2,553 | $0 | $120,000 | $0 |
| | **ARCHITECTURE & ENGINEERING** | | | | | | |
| **4005** | ARCHITECT | **$350,000** | $350,000 | $7,447 | | $350,000 | |
| **4010** | CIVIL ENGINEERING | **$150,000** | $150,000 | $3,191 | | $150,000 | |
| **4030** | OTHER CONSULTANTS-SPECIAL INSPECTIONS | **$125,000** | $125,000 | $2,660 | | $125,000 | |
| | **TOTAL ARCHITECTURE & ENGINEERING** | | $625,000 | $13,298 | $0 | $625,000 | $0 |
| | **THIRD PARTY REPORTS** | | | | | | |
| **5005** | APPRAISAL | **$20,000** | $20,000 | $426 | | $20,000 | |
| **5010** | MARKET STUDY | **$17,500** | $17,500 | $372 | | $17,500 | |
| **5020** | ENVIRONMENTAL (PH1 & PH2) | **$25,500** | $25,500 | $543 | | $25,500 | |
| **5025** | PHYSICAL NEEDS ASSESSMENT | **$25,000** | $25,000 | $532 | | $25,000 | |
| **5040** | REMEDIATION TESTING & CONSULTANT | **$32,732** | $32,732 | $696 | | $32,732 | |
| **5040** | OTHER TECHNICAL REPORTS | **$25,000** | $25,000 | $532 | | $25,000 | |
| **8075** | THIRD PARTY REPORT CONTINGENCY | **0%** | $0 | $0 | | $0 | |
| | **TOTAL DILIGENCE COSTS** | | $145,732 | $3,101 | $0 | $145,732 | $0 |
| | **FINANCING COSTS** | | | | | | |
| **6040** | BRIDGE LOAN LENDER APPRAISAL | **$0** | $0 | $0 | | $0 | $0 |
| **6045** | BRIDGE LOAN INTEREST | **$67,500** | $67,500 | $1,436 | | $67,500 | $0 |
| **6050** | BRIDGE LOAN LEGAL | **$0** | $0 | $0 | | $0 | $0 |
| **6005** | CONSTRUCTION LOAN ORIGINATION FEE | **$90,000** | $90,000 | $1,915 | | $90,000 | $0 |
| **6010** | CONSTRUCTION LOAN LEGAL | **$50,000** | $50,000 | $1,064 | | $50,000 | $0 |
| **6025** | INTEREST DURING CONSTRUCTION | **$505,575** | $505,575 | $10,757 | | $404,460 | $101,115 |
| **6105** | CALHFA & CIVIC & SDHC FEES | **$52,500** | $52,500 | $1,117 | | $26,250 | $26,250 |
| **6130** | PERM LOAN CONVERSION FEE | **$10,000** | $10,000 | $213 | | | $10,000 |
| **6115** | PERM LOAN DUE DILIGENCE | **$12,500** | $12,500 | $266 | | $0 | $12,500 |
| **6015** | CONSTR LENDER APPLICATION / DUE DILIGENCE | **$5,000** | $5,000 | $106 | | $5,000 | $0 |
| **6135** | ISSUER LEGAL | **$27,500** | $27,500 | $585 | | | $27,500 |
| | **TOTAL FINANCING COSTS** | | $820,575 | $17,459 | $0 | $643,210 | $177,365 |
| | | **$0** | | | | | |
| | **RESERVES** | | | | | | |
| **7005** | REPLACEMENT RESERVE - INITIAL DEPOSIT | **$500** | $23,500 | $500 | | | $23,500 |
| **7010** | LEASE UP RESERVE (6 months) | **6** | $86,000 | $1,830 | | | $86,000 |
| **7010** | OPERATING RESERVE(6 months) | **6** | $208,745 | $4,441 | | | $208,745 |
| | **TOTAL RESERVES** | | $318,245 | $6,771 | $0 | $0 | $318,245 |
| | **BOND/TAX CREDIT RELATED COSTS** | | | | | | |
| **6305** | TCAC RESERVATION FEE | **1.0%** | $5,454 | $116 | | | $5,454 |
| **6310** | TCAC APPLICATION FEES | **$2,000** | $2,000 | $43 | | | $2,000 |
| **6326** | CDLAC APPLICATION FEES | **$600** | $600 | $13 | | | |
| **6315** | TCAC COMPLIANCE MONITORING FEE | **$410** | $19,270 | $410 | | | $19,270 |
| **6327** | CDLAC ISSUANCE FEE (TE Construction Loan) | **0.035%** | $3,150 | $67 | | | $3,150 |
| **6328** | CDLAC REPORTING FEE (TE Construction Loan) | **0.015%** | $1,350 | $29 | | | $1,350 |
| **6330** | ISSUER FEE (TE Construction Loan) | **0.250%** | $22,500 | $479 | | | $22,500 |
| **6331** | ISSUER FINANCIAL ANALYST | **$60,000** | $60,000 | $1,277 | | | $60,000 |
| **6340** | BOND COUNSEL | **$60,000** | $60,000 | $1,277 | | | $60,000 |
| **6125** | OTHER FINANCING COSTS | **$0** | $0 | $0 | | | $0 |
| | **TOTAL BOND/TAX CREDIT RELATED COSTS** | | $174,324 | $3,709 | $0 | $0 | $173,724 |

# West Park

DEVELOPMENT COSTS

**Acquisition Rehab - 4%**

| | | Unit Cost | Total | Per Unit | Acq Basis | Rehab Basis | Non-Basis |
|---|---|---|---|---|---|---|---|
| | **OTHER SOFT COSTS** | | | | | | |
| **8020** | LEGAL - DEVELOPER (CONSTRUCTION) | **$100,000** | $100,000 | $2,128 | | $100,000 | |
| **8005** | LEGAL - PARTNERSHIP | **$0** | $0 | $0 | | $0 | $0 |
| **8005** | LEGAL - ENTITLEMENTS & PREDEV | **$20,000** | $20,000 | $426 | | $20,000 | $0 |
| **8035** | ACCOUNTING/COST CERT | **$22,500** | $22,500 | $479 | | $10,980 | $11,520 |
| **8045** | RELOCATION COSTS | **$485,250** | $485,250 | $10,324 | | $485,250 | |
| **8045** | RELOCATION STUDY | **$30,000** | $30,000 | $638 | | $30,000 | $0 |
| **5035** | ALTA SURVEY | **$10,000** | $10,000 | $213 | | $10,000 | |
| **8055** | PREPAID INSURANCE | **$0** | $0 | $0 | | | $0 |
| **8060** | TITLE/ESCROW/RECORDING | **$35,000** | $35,000 | $745 | | $35,000 | |
| **8065** | REAL ESTATE TAXES | **$0** | $0 | $0 | | | $0 |
| **4025** | CONSTRUCTION MANAGEMENT | **$180,000** | $180,000 | $3,830 | | $180,000 | $0 |
| **8084** | ENERGY REPORT (TCAC) | **$15,000** | $15,000 | $319 | | $15,000 | |
| **8085** | BORROWER FINANCIAL ANALYST | **$85,000** | $85,000 | $1,809 | | $85,000 | |
| **8030** | FF&E - RESIDENTIAL | **$500** | $23,500 | $500 | | $23,500 | |
| **8080** | FF&E - COMMON AREA | **$125,000** | $125,000 | $2,660 | | $125,000 | |
| **2055** | BONDING & INSURANCE | **$0** | $100,195 | $2,132 | | $100,195 | |
| **8075** | SOFT COST CONTINGENCY | **5%** | $106,997 | $2,277 | | $106,997 | $0 |
| | **TOTAL OTHER SOFT COSTS** | | $1,338,442 | $28,477 | $0 | $1,326,922 | $11,520 |
| | **DEVELOPER FEE** | | | | | | |
| **9005** | DEVELOPER FEE ON ACQUISITION | **15%** | $640,636 | $13,631 | $640,636 | | $0 |
| **9010** | DEVELOPER FEE ON REHAB | **15%** | $1,180,589 | $25,119 | | $1,180,589 | $0 |
| | **TOTAL DEVELOPER FEE** | | $1,821,225 | $38,749 | $640,636 | $1,180,589 | $0 |
| | **GRAND TOTAL DEVELOPMENT COSTS** | | **$15,593,273** | **$331,772** | **$4,911,545** | **$9,051,183** | **$1,311,700** |

# West Park

**TAX CREDITS**

Tax Credit Assumptions

| | | | |
|---|---|---|---|
| **Eligible Basis (Acq)** | | | 4,911,545 |
| **Eligible Basis (Rehab/New Construction)** | | | 9,051,183 |
| **Total Eligible Basis** | | | 13,962,728 |
| **Maximum Allowable Basis** | | | 13,962,728 |
| **QCT/DDA** | | | 130% |
| **Total Qualified Basis (Acq)** | | | 4,911,545 |
| **Total Qualified Basis (Rehab/New Construction)** | | | 11,766,538 |
| **Applicable Fraction** | | | 100.00% |
| **Applicable Credit Rate (Acq.)** | | | **3.27%** |
| **Applicable Credit Rate (NC/RH)** | | | **3.27%** |
| **Total Annual Credit** | | | 545,373 |
| **Total 10-Year Credit** | | | 5,453,733 |
| **Investment Rate** | | | **0.941** |
| **Total Investor Equity** | | | 5,132,999 |

# West Park

**Acquisition Rehab - 4%**

**Cash Flow Analysis 1.1**

| OPERATING BUDGET | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GROSS RENTAL INCOME** | **462,840** | **472,097** | **481,539** | **491,170** | **500,993** | **511,013** | **521,233** | **531,658** | **542,291** | **553,137** | **564,199** | **575,483** | **586,993** | **598,733** | **610,708** |
| Other Income | 5,640 | 5,753 | 5,868 | 5,985 | 6,105 | 6,227 | 6,352 | 6,479 | 6,608 | 6,740 | 6,875 | 7,013 | 7,153 | 7,296 | 7,442 |
| **(Less) Vacancy @ 5%** | (23,424) | (23,892) | (24,370) | (24,858) | (25,355) | (25,862) | (26,379) | (26,907) | (27,445) | (27,994) | (28,554) | (29,125) | (29,707) | (30,301) | (30,907) |
| **EFFECTIVE GROSS INCOME** | **445,056** | **453,957** | **463,036** | **472,297** | **481,743** | **491,378** | **501,205** | **511,229** | **521,454** | **531,883** | **542,521** | **553,371** | **564,439** | **575,727** | **587,242** |
| Commercial Income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL GROSS INCOME** | **445,056** | **453,957** | **463,036** | **472,297** | **481,743** | **491,378** | **501,205** | **511,229** | **521,454** | **531,883** | **542,521** | **553,371** | **564,439** | **575,727** | **587,242** |
| (Less) Total Operating Expenses | (307,229) | (316,446) | (325,940) | (335,718) | (345,789) | (356,163) | (366,848) | (377,853) | (389,189) | (400,865) | (412,891) | (425,277) | (438,036) | (451,177) | (464,712) |
| **NET OPERATING INCOME** | **137,827** | **137,511** | **137,097** | **136,579** | **135,954** | **135,215** | **134,357** | **133,376** | **132,265** | **131,018** | **129,630** | **128,094** | **126,403** | **124,551** | **122,530** |
| (Less) Debt Service | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) |
| **NET PROJECT CASH FLOW** | **27,565** | **27,250** | **26,835** | **26,318** | **25,692** | **24,953** | **24,096** | **23,115** | **22,004** | **20,757** | **19,369** | **17,833** | **16,142** | **14,289** | **12,269** |
| **DEBT SERVICE COVERAGE RATIO** | **1.25** | **1.25** | **1.24** | **1.24** | **1.23** | **1.23** | **1.22** | **1.21** | **1.20** | **1.19** | **1.18** | **1.16** | **1.15** | **1.13** | **1.11** |
| **CASH WATERFALL** | | | | | | | | | | | | | | | |
| (Less) Incentive Management Fee | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (Less) LP Asset Management Fee | (5,000) | (5,163) | (5,330) | (5,504) | (5,682) | (5,867) | (6,058) | (6,255) | (6,458) | (6,668) | (6,884) | (7,108) | (7,339) | (7,578) | (7,824) |
| (Less) Non Profit Fee | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (7,500) | (6,712) | (4,445) |
| **Total Fees (Partnership)** | (12,500) | (12,663) | (12,830) | (13,004) | (13,182) | (13,367) | (13,558) | (13,755) | (13,958) | (14,168) | (14,384) | (14,608) | (14,839) | (14,290) | (12,269) |
| **Remaining Cash Flow** | **15,065** | **14,587** | **14,005** | **13,314** | **12,510** | **11,586** | **10,538** | **9,360** | **8,046** | **6,589** | **4,984** | **3,224** | **1,302** | **(0)** | **(0)** |

**ATTACHMENT 6**
**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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December 28, 2018

Ms. Tina Kessler
Housing Programs Manager
Real Estate Division
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

**Re: West Park Apartments**

Dear Ms. Kessler:

The San Diego Housing Commission (the "Commission") has retained Ross Financial as its municipal advisor to analyze the feasibility of issuing tax-exempt bonds for the West Park 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 Housing Development Partners ("HDP") as developer. The materials include: (1) the joint application to the California Debt Limit Allocation Committee ("CDLAC") and California Tax Credit Allocation Committee ("CTCAC"), (2) the financing commitment from Banner Bank as Bond purchaser/lender, (3) the market study performed by Novogradac in support of the application to CDLAC, and (4) HDP's pro forma financial schedules for the Development. Ross Financial has not visited the site of the Development, and has had no role in the formulation of the financing approach or in the selection of the financing participants.

## OVERVIEW OF DEVELOPMENT

***Development Summary***. The transaction involves the acquisition-rehabilitation of an existing building that was originally constructed in 1989 and previously used as a hotel. The intent is to change this use to studio and single room occupancy apartments so as to provide permanent housing for homeless San Diegans through HOUSING FIRST – SAN

DIEGO, the Commission's homelessness action plan. The target population will be seniors and adults with mental disabilities.

The Development consists of 47 studio and single room occupancy units (46 affordable units and 1 manager's unit) located in a single four-story residential building with elevator service. The building is Type V construction, with wood frame, stucco exterior and a flat roof. The Development contains no on-site parking. Site amenities include: a courtyard with fountain, a small exterior laundry area, an on-site management office and secure entry. Unit amenities include: blinds, carpeting, and window air conditioning units; four units have balconies. No comprehensive rehabilitation of the Development has ever occurred.

Rehabilitation work is substantial and comprehensive, including:

- Elevator rehabilitation and modernization,
- Accessibility upgrades,
- Refresh of common areas (community room, fitness room, courtyard),
- New interior finishes in the units,
- Replace/resurface drywall,
- Replace existing plumbing fixtures,
- Upgrade unit HVAC systems,
- Add kitchenettes with 2 burner range, microwave, sink with disposal, refrigerator/freezer, cabinetry and countertops,
- Resurface/reslope exterior walkways
- Exterior plaster repair
- Replace roof, gutters and flashing
- Install solar energy measures
- Repair/replace landscaping and irrigation systems

The unit mix and CDLAC/CTCAC affordability restrictions for the Development as a percentage of Area Median Income ("AMI") are as follows:

| West Park | Unit Mix | 50% AMI* | 60% AMI* |
|---|---|---|---|
| Studio/SRO | 47 | 12 | 34 |

*Includes one manager's units
** Manager's units are not subject to affordability restrictions

On December 12, 2017, the Commission approved a commitment for 46 Section 8 Project-Based Vouchers for the Development.

***Description of Project Site***. The Development is located at 1830 Fourth Avenue, on a 5,227 square foot lot in the Banker Hill Park West neighborhood of San Diego (the "Site"). The Site is bounded by: (a) multifamily residential and a restaurant to the north, (b) Elm Street, multifamily residential and office building to the south, (c) Fourth

Avenue, a newly-constructed CVS, parking lot and hotel to the east; and (4) Third Avenue, a parking lot, multifamily residential and religious uses to the east. Bus service is available nearby on Fourth and Fifth Avenues.

The Site is owned by the Commission and will be ground leased to the Borrower.

***Project Ownership/Borrower***. The ownership entity for the Development will be HDP West Park L.P., (the "Borrower"), a single asset California limited partnership consisting of: (1) HDP West Park Management LLC, a limited liability corporation formed by the Developer, as managing general partner; and (2) a tax credit limited partner to be created by Red Stone Equity Partners. HDP is a 501(c)(3) California public benefit corporation and an affiliate of the Housing Commission. It has developed 1,253 units of affordable housing, including:

- New Palace Hotel, an 80-unit acquisition-rehabilitation development, currently under construction,
- San Diego Square, a 156-unit acquisition-rehabilitation development, completed in 2016;
- Hotel Churchill, a 73-unit acquisition-rehabilitation developed, completed in 2016; and
- Knox Glen Apartments, an acquisition-rehabilitation development with 54 affordable units, completed in April 2013.

***CDLAC/CTCAC***. On August 17, 2018, the Housing Authority filed a joint application to CDLAC and CTCAC with respect to the Development. The CDLAC component requested a private activity bond allocation of $9,000,000, which was awarded by CDLAC at its meeting of December 12, 2018. The allocation will expire in 180 days after the allocation award under CDLAC's policies and procedures – on or about June 14, 2019. CTCAC reserved the requested 4% tax credits at its meeting of December 12, 2018.

In connection with the CDLAC/CTCAC application process, on June 26, 2018, the Housing Authority adopted a resolution of intent to issue tax-exempt obligations for the Development and authorized the submission of an application to CDLAC. On June 26, 2018, 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 June 29, 2018.

## PROPOSED FINANCING

***Project Costs and Funding***. According to HDP's most recent projections, the total cost of the Development, including acquisition, rehabilitation and all soft costs, is estimated at $15,593,273. The estimated sources of funds will differ during the rehabilitation period and following completion of rehabilitation. The table on the following page allocates

these sources and uses during and after rehabilitation based on the most recent projections, which are subject to change based on final costs and loan underwriting:

| Sources of Funds | Rehabilitation | Permanent |
|---|---|---|
| Tax-Exempt Bond Proceeds | $9,000,000 | $1,647,001 |
| Low Income Housing Tax Credit Equity | 769,950 | 5,132,998 |
| Seller Carry Back Loan | 5,220,000 | 5,220,000 |
| Commission Loan | 603,273 | 3,593,274 |
| **Total** | **$15,593,273** | **$15,593,273** |
| **Uses of Funds** | | |
| Acquisition | $5,220,000 | $5,220,000 |
| Hard Costs and Contingency | 5,009,730 | 5,009,730 |
| Architectural & Engineering | 625,000 | 625,000 |
| Relocation | 625,000 | 625,000 |
| Financing fees | 820,575 | 820,575 |
| 3rd Party Reports and Bond/LIHTC Costs | 320,056 | 320,056 |
| Permits | 120,000 | 120,000 |
| Reserves | 318,245 | 318,245 |
| Other Soft Costs | 713,442 | 713,442 |
| Developer Fee | 1,821,225 | 1,821,225 |
| **Total** | **$15,593,273** | **$15,593,273** |

***The Bonds***. To finance a portion of the cost of the Development's rehabilitation, the Housing Authority will issue the Bonds in an amount not to exceed $9,000,000. The Bonds are expected to have the following features:

- The Bonds will be directly purchased by Banner Bank, a well-capitalized and sophisticated lending institution;
- The maturity of the Bonds, or mandatory call date, is expected to be approximately 17 years;
- During construction (approximately 24 months), the Bonds will bear a variable rate of interest equal to 30 day LIBOR + 1.75% (approximately 4.10% in current market)
- Following rehabilitation and lease up (at "conversion"),
    - The Bonds will be repaid from tax credit investor funds and proceeds of the Commission's loan to an estimated permanent amount of $1,647,001 (subject to final underwriting), and
    - The Bonds will bear a fixed rate, set at closing, currently estimated at 4.86%.
- The Bonds will amortize on a 35-year basis.
- The Bonds are expected to close on or about March 15, 2019.

Banner 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 the purchase of the Bonds and has indicated its intention to hold the Bonds for its account. Banner Bank may transfer the Bonds, subject to certain restrictions consistent with the Commission's bond policies, only to accredited investors that execute a document with similar representations.

***Housing Commission Financial Involvement***. On December 14, 2017, the Commission entered into a ground lease of the Site with the Borrower for a term of 65 years. Ground lease rent is equal to 4.5% of gross income from the Development but is payable from residual receipts from the Development after payment of operating expenses, debt service on the Bonds and general and limited partner asset management fees.

The Commission is also providing residual receipts financing in an amount up to $3,593,274 to fund a portion of the Development's rehabilitation costs. The sources of funding are the City of San Diego's Affordable Housing Fund (Inclusionary Housing and Linkage funds) and Community Development Block Grants ("CDBG") administered by the Commission in the CDBG Affordable Housing Revolving Loan Fund. The Commission's loan will be payable from the Development's residual receipts, after payment of ground lease rent, with the following basic terms:

- Interest Rate: 4% simple interest
- Payments: 100% of residual cash flow after payment of ground lease rent (50% of residual cash flow to the extent any portion of the Developer fee is deferred)
- Term: 55 years
- Affordability: 12 units @ 50% AMI; 34 units @ 60% AMI

On December 12, 2018, the Commission approved a commitment for 46 Section 8 Project Based Voucher under which tenants will pay a maximum of 30% of their income toward rent with remainder federally subsidized up to a contract rent level approved by HUD.

***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 under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and

- Commission's Construction and Permanent Loan Agreement under which the units will be restricted for 55 years.

Under the above restrictions, 12 units in the Development will be restricted to households with incomes that do not exceed 50% AMI and 34 units will be restricted to households with incomes that do not exceed 60% of AMI. The one manager's unit will not be restricted.

***Development Cash Flow***. The Borrower provided pro forma cash flows for the Development. The following table summarizes key elements of the most recent pro forma utilized in Banner Bank's permanent loan underwriting:

| | |
|---|---|
| **Assumptions** | |
| Vacancy | 5% |
| Revenue Escalation | 2.0% |
| Expense Escalation | 3.0% |
| | |
| **Cash Flow and Coverage** | |
| Stabilized Net Income – First Full Year | $445,056 |
| Expenses[1] | (307,229) |
| Estimated Net Operating Income | $137,827 |
| Bond Debt Service[2] | (110,261) |
| Debt Service Coverage[3] | 1.25x |
| | |
| General and Limited Partner Fees | (12,500) |
| Available Cash Flow after General and Limited Partner Fee | $15,065 |
| Ground Lease Payments | (15,065) |
| Available to repay SDHC Loan/Deferred Developer Fee (if any) | $0 |

[1] Expenses include replacement reserves of $16,450 and Commission's fee at permanent ($10,000 plus compliance monitoring fee of $150/unit for 47 units, or $17,050)
[2] Assumes a 17 year permanent conventional loan par of $1,647,001 at 4.86%, amortized on the basis of 35 years
[3] Net operating income divided by sum of Bond Debt Service

The following table shows the Borrower's most recent projected cash flow for the Development during first full five years following stabilized occupancy (based on the Banner Bank underwritten rents):

| *Escalation* | **Revenues** | Year 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 2.00% | Gross Scheduled Rent | 462,840 | 472,097 | 481,539 | 491,170 | 500,993 |
| 2.00% | Other Income | 5,640 | 5,753 | 5,868 | 5,985 | 6,105 |
| | **less 5% vacancy** | (23,424) | (23,892) | (24,370) | (24,858) | (25,355) |
| | **Total Net Income** | 445,056 | 453,957 | 463,036 | 472,297 | 481,743 |
| | **Expenses** | | | | | |
| 3.00% | Operating Expenses* | (307,229) | (316,446) | (325,939) | (335,717) | (345,789) |
| | **Net Operating Income** | 137,827 | 137,511 | 137,097 | 136,580 | 135,954 |
| | Bond Debt Service | (110,261) | (110,261) | (110,261) | (110,261) | (110,261) |
| | Debt Service Coverage | 1.25x | 1.25x | 1.24x | 1.24x | 1.23x |
| | **Available Cash Flow after Permanent Loan Debt Service** | 27,566 | 27,250 | 26,836 | 26,319 | 25,693 |
| 3.25% | Management Fee | (5,000) | (5,163) | (5,330) | (5,504) | (5,682) |
| | LP Asset Management Fee | (7,500) | (7,725) | (7,957) | (8,195) | (8,441) |
| | **Project Cash Flow after Managment Fees** | 15,066 | 14,363 | 13,549 | 12,620 | 11,569 |
| | Available to repay SDHC Ground Lease | (15,066) | (14,363) | (13,549) | (12,620) | (11,569) |
| | **Project Cash Flow after Ground Lease** | 0 | 0 | 0 | 0 | 0 |
| | Available to Pay SDHC Loan and Deferred Developer Fee (if any) | 0 | 0 | 0 | 0 | 0 |

*Includes $16,450 for replacement reserves and $16,900 for the Commission's compliance monitoring fee

## PUBLIC PURPOSE

The issuance of the Bonds is expected to result in the long-term affordability of 46 studio/SRO units in the City of San Diego: 12 units will be restricted and affordable to households earning 50% AMI; 34 units will be restricted and affordable to households earning 60% AMI; 1 unit will be occupied by a resident manager.

The Bond and Tax Credit Regulatory Agreements and the Commission's Loan Agreement will require that these affordability levels be maintained for a period of 55 years.

The Development will provide permanent housing for homeless San Diegans through HOUSING FIRST – SAN DIEGO, the Commission's homelessness action plan. The target population will be seniors and adults with mental disabilities.

## BENEFITS AND RISKS TO THE COMMISSION

The Bonds provide a vehicle for financing a portion of the rehabilitation costs of the Development and achieving the public purposes noted 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 Banner Bank, which has indicated its intention to hold the Bonds for its own account. The Bonds are expected to be repaid down to $1,647,001 after completion of rehabilitation and lease up – a reduction of approximately 82%.

If the Housing Authority issues the Bonds, the Commission would receive an issuer fee at closing of $22,500 equal to 0.25% times the initial aggregate par amount of the Bonds ($9,000,000 based on current projections). The Commission also would receive an annual Bond monitoring fee of $11,250 during the rehabilitation period ($9,000,000 times 0.125%) and, after the rehabilitation period, $16,900 (based on an annual fee equal to: (a) a minimum fee of $10,000 plus (b) a per unit monitor fee of $150/unit over 46 units that the Commission will be monitoring).

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions and/or the Commission's Loan. The Borrower and HDP will agree to indemnify the Housing Authority and Commission as to matters relating to the Bonds.

## 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 46 affordable units for homeless, with all units restricted to income levels at 50% and 60% of AMI – for a period of 55 years.

- The Development financed by the Bonds will provide permanent housing for homeless San Diegans, with a targeted population of seniors and adults with mental disabilities.

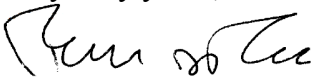
- The Bonds will be purchased by a well-established, highly capitalized bank that is active in affordable housing lending and will be subject to restrictive transfer limitations at all times.

- The Borrower, and potentially HDP, has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Bond proceeds.

- Based on estimates provided by the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover debt service on the Bonds after completion of the rehabilitation.

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

Very truly yours,



Peter J. Ross
Principal