



**Table 1 – Development Details**

Address	404 North 47 <sup>th</sup> Street, San Diego 92102
Council District	4
Community Plan Area	Encanto
Development Type	Rehabilitation
Construction Type	Type-V
Parking Type	Surface
Housing Type	Multifamily
Lot Size	3.17 Acres
Units	60
Density	18.9 dwelling units per acre
Affordable Unit Mix	24 two-bedroom units, 35 three-bedroom units, and 1 three-bedroom manager’s unit
Gross Building Area	58,340 square feet
Net Rentable Area	57,640 square feet

The Development

Built in 1985, Harbor View Apartments is an existing 60-unit apartment complex located at 404 North 47<sup>th</sup> Street in San Diego’s Encanto neighborhood (Attachment 2 – Site Map). In 2002, Harbor View Apartments was financed with a \$900,000 Housing Commission loan; \$3,590,000 Housing Authority bond issuance; and low-income housing tax credits. The project is currently subject to a Housing Commission Declaration, Bond Regulatory Agreement and California Tax Credit Allocation Committee (TCAC) Regulatory Agreement. On February 9, 2018, the development was sold by Harbor View Associates L.P. to Harbor View SD Partners, L.P. for \$7,228,800. The Housing Commission loan of \$900,000 plus accrued interest was paid off concurrently with the sale.

The complex is composed of 10 two-story residential buildings, management office and a community room. Site amenities include laundry facilities, barbecue area and courtyard. The development is adjacent to the 47<sup>th</sup> Street Trolley Station. Adjacent uses include single-family homes to the north and east, church to the south and Chollas-Mead Elementary School to the west.

Building Conditions/Proposed Rehabilitation Work

The owner, Harbor View SD Partners, L.P., intends to complete a comprehensive renovation of Harbor View Apartments. The scope of work includes new roofs, windows, kitchen cabinets and countertops, flooring, light fixtures and water heaters. The current estimate of rehabilitation cost is \$3,103,340 (\$51,722/unit).

Sustainability Features

Harbor View Apartments will comply with the TCAC minimum energy efficiency standards for rehabilitation projects, which require demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions.

Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units and 4 percent of the units accessible to residents with visual and/or hearing impairment. The development will include Universal Design features.

Relocation

The developers do not anticipate permanent relocation of tenants. Rehabilitation may require temporary relocation while improvements are made to unit interiors.

Development Team

The current owner of the project is Harbor View SD Partners, L.P. At closing, the Limited Partnership will be composed of Harbor View GP, LLC as Administrative General Partner; Central, Valley Coalition for Affordable Housing as Managing General Partner; and a tax credit Investor Limited Partner. A disclosure statement for the administrative general partner and managing general partner are included as Attachment 3.

**Table 2 - Development Team Summary**

<b>ROLE</b>	<b>FIRM/CONTRACT</b>
Harbor View SD Partners, L.P.	<i>Administrative General Partner:</i> Harbor View GP, LLC <i>General Partner:</i> Central Valley Coalition for Affordable Housing <i>Investor Limited Partner:</i> To Be Determined
Architect	Mark McKinney
General Contractor	Wilshire Pacific Builders
Property Management	Platinum Realty Management
Construction Lender	CIT Bank
Permanent Lender	CIT Bank

**FINANCING STRUCTURE**

Harbor View has an estimated total development cost of \$13,819,216, (\$230,320 per unit). Financing will include a combination of tax-exempt Multifamily Housing Revenue Bonds, federal 4 percent tax credits, deferred developer fee and income during construction No Housing Commission loan proceeds will be provided to this development. The developer’s project pro forma is provided as Attachment 4.

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

<b>Permanent Financing Sources</b>	<b>Amounts</b>	<b>Permanent Financing Uses</b>	<b>Amounts</b>
Permanent Loan	\$ 9,050,000	Acquisition Costs	\$ 7,228,800
Tax Credit Equity	4,489,184	Construction Costs	3,103,340
Deferred Developer Fee	280,032	Soft Costs	330,050
		Financing Costs	1,376,903
		Reserves	211,554
		Developer Fee	1,568,569
<b>Total Development Cost</b>	<b>\$ 13,819,216</b>	<b>Total Development Cost</b>	<b>\$ 13,819,816</b>

Developer Fee

Harbor View SD Partners L.P. is proposing a developer fee of \$1,568,569 (\$26,143/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.

\$1,568,569 – gross developer fee  
 - 280,032 – developer’s deferred developer fee; paid out of residual cash flow  
 \$1,288,537 – up front new developer fee

Development Cost Key Performance Indicators

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

**Table 4 – Key Performance Indicators**

Development Cost Per Unit	\$13,819,216 ÷ 60 units =	\$230,320
Acquisition Cost Per Unit	\$7,228,800 ÷ 60 units =	\$120,480
Net Rentable Square Foot Hard Cost	\$3,103,340 ÷ 57,640 sq. ft. =	\$54
Gross Building Square Foot Hard Cost	\$3,103,340 ÷ 58,340 sq. ft. =	\$53

Prevailing Wages

Prevailing wages are not applicable to the proposed rehabilitation because no federal nor state funds will be used.

Project Comparison Chart

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

**Table 5 – Comparable Rehabilitation Projects**

Project Name	Year	Construction Type	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit	Rehab Cost	Rehab Cost Per Unit
<b>Subject</b>	<b>2019</b>	<b>V</b>	<b>60</b>	<b>\$13,795,983</b>	<b>\$229,933</b>	<b>\$0</b>	<b>\$3,103,340</b>	<b>\$51,722</b>
Parkside	2018	V	40	\$9,519,645	\$237,991	\$49,058	\$2,363,345	\$59,083
Casa Puleta	2017	V	54	\$10,797,804	\$199,959	\$0	\$1,746,932	\$32,350
Hollywood Palms	2017	V	94	\$31,680,721	\$337,029	\$0	\$8,435,601	\$93,729

**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 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 Act (TEFRA) resolutions must be secured no later than 30 days after application submittal. On April 9, 2018, these actions were completed for Harbor View.

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, an application was submitted to CDLAC for a bond allocation of up to \$10,000,000. On December 12, 2018, TCAC and CDLAC approved an allocation of 4 percent tax credits and an up to \$10,000,000 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 (Bonds), will be sold through a private placement, purchased directly by CIT Bank. CIT Bank is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing CIT Bank will sign an "Investor's Letter" certifying, among other things, that it is buying the Bonds for its own account and not for public distribution. Because the Bonds is being sold through a private placement, an Official Statement will not be used. In addition, the Bonds will be neither subject to continuing disclosure requirements nor credit enhanced nor rated. Under the private placement structure for this transaction, CIT Bank will make a loan to the Housing Authority that will be evidenced by the Bonds issued pursuant to an indenture of trust, funding loan agreement, master pledge and assignment or other similar document (Bond Issuance Document), which will obligate the Housing Authority to pay CIT Bank the amounts it receives from the Borrower, as described below. A yet-to-be selected fiscal agent (Fiscal Agent) will be party to such Bond Issuance Document to, among other things administer any the various funds and accounts established by such Bond Issuance Document.

The Housing Authority, or CIT Bank as agent of the Housing Authority, will then loan the proceeds of the Bonds to the Borrower pursuant to a loan agreement (Loan Agreement). In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the Bonds. The Housing Authority's obligation to make payments on the Bonds is limited to amounts the Fiscal Agent receives from the Borrower under the Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Bonds. The transfer of the Bonds to any subsequent purchaser will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bond holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or institutional accredited investor who is buying the Bonds 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. The following documents will be executed on behalf of the Housing Authority with respect to the Bonds: Bond Issuance Document, Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's Office and Bond Counsel.

The Bonds will be issued pursuant to the Bond Issuance Document. Based upon instructions contained in the Bond Issuance Document (or, where the Bond Issuance Document is a master pledge and assignment, a master agency agreement) and the Loan Agreement, CIT Bank will disburse the Bond proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Loan Agreement will set out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority will assign its rights to received repayments under the loan to CIT 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 CIT Bank, will be signed by the Housing Authority for the benefit of CIT Bank. Rights and responsibilities that are assigned to CIT 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 CIT Bank to protect its financial interests as the holder of the Bonds.

TEFRA Hearing

A San Diego City Council TEFRA hearing for Harbor View was held on April 9, 2018 (Resolution R-311635). The resulting TEFRA approval will expire on April 9, 2019, prior to the issuance of bonds. The IRS Code requires a new TEFRA hearing and approval. The new TEFRA hearing is anticipated to be held on March 12, 2019.

Financial Advisor’s Recommendation

Jones Hall will be the bond counsel and PFM 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**

Under the proposed bond financing, Harbor View Apartments would have six units restricted to households with incomes at or below 50 percent of San Diego Area Median Income (AMI), and 53 units restricted to households with incomes at or below 60 percent of AMI. The remaining unit will be an unrestricted manager’s unit. The affordable units will be restricted for a 55-year term. Table 6 summarizes the affordability:

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

Unit Type	AMI	Units	TCAC/SDHC* Gross Rents
2-bedroom	50% AMI	2	\$1,095
3-bedroom	50% AMI	4	\$1,314
2-bedroom	60% AMI	22	\$1,216
3-bedroom	60% AMI	31	\$1,460
3-bedroom manager	-	1	-
	Total	60	

\*Harbor View is currently subject to a Housing Commission Declaration and Bond Regulatory Agreement from a 2001 loan and bond issuance; Housing Commission 3-bedroom gross rents are currently lower than TCAC gross rents.

**FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2019 Housing Commission Budget. Approving this action will not change the FY 2019 total budget.

Funding sources approved by this action will be as follows:  
 Bond Issuance Fees - \$25,000 (\$10,000,000 x .0025)

Funding uses approved by this action will be as follows:  
 Rental Housing Finance Program Administration Costs - \$25,000

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 Bond Counsel and Financial Advisor fees. Additionally the developer is responsible for payment of the Housing Commission's .0025 bond amount issuer fee (estimated at \$25,000 with a \$10,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at \$10,712.50) with an estimated \$8,570,000 outstanding bonds amount at permanent financing conversion.

**Development Schedule**

The estimated development timeline is as follows.

<b>Milestones</b>	<b>Estimated Dates</b>
• Housing Authority final bond authorization	• March 12, 2019
• City Council TEFRA	• March 12, 2019
• Estimated bond issuance and escrow closing	• April 2019
• Estimated start of construction work	• April 2019
• Estimated completion of construction work	• October 2019

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On April 6, 2018, and April 9, 2018, respectively, the Housing Commission (Report. No. HCR18-046) and the Housing Authority (Report No. HAR18-014) approved preliminary steps to issue up to \$10,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS**

As required by the Housing Commission Bonds Program, the developer will present their proposal for Harbor View to the Encanto Community Planning Group prior to the Housing Commission's later consideration of the final bond issuance approval.

**KEY STAKEHOLDERS and PROJECTED IMPACTS**

Stakeholders include: the residents of Harbor View, the City of San Diego, and the Encanto neighborhood. Development of the property is expected to have a positive impact on the community because it will improve and preserve existing affordable housing for low-income tenants.

**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. Processing under the National Environmental Policy Act is not required as no Federal funds are involved in this action.

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) Developer Disclosure Statements
    - a. Harbor View GP LLC
    - b. Central Valley Coalition for Affordable Housing
  - 4) Developer's Project Pro forma
  - 5) Multifamily Housing Revenue Bond Program
  - 6) Financial Advisor's Feasibility Analysis

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](http://www.sdhc.org).