



REPORT

DATE ISSUED: January 7, 2019

REPORT NO: HAR19-002

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of February 12, 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 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 San Diego Housing Commission’s (Housing Commission) 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	$\$15,593,274 \div 47 \text{ units} =$	\$331,772
Housing Commission Subsidy Per Unit	$\$3,593,274 \div 47 \text{ units} =$	\$76,453
Acquisition Cost Per Unit	$\$5,220,000 \div 47 \text{ units} =$	\$111,064
Gross Building Square Foot Hard Cost	$\$5,009,730 \div 12,652 \text{ sq. ft.} =$	\$396
Net Rentable Square Foot Hard Cost	$\$5,009,730 \div 10,322 \text{ sq. ft.} =$	\$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
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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

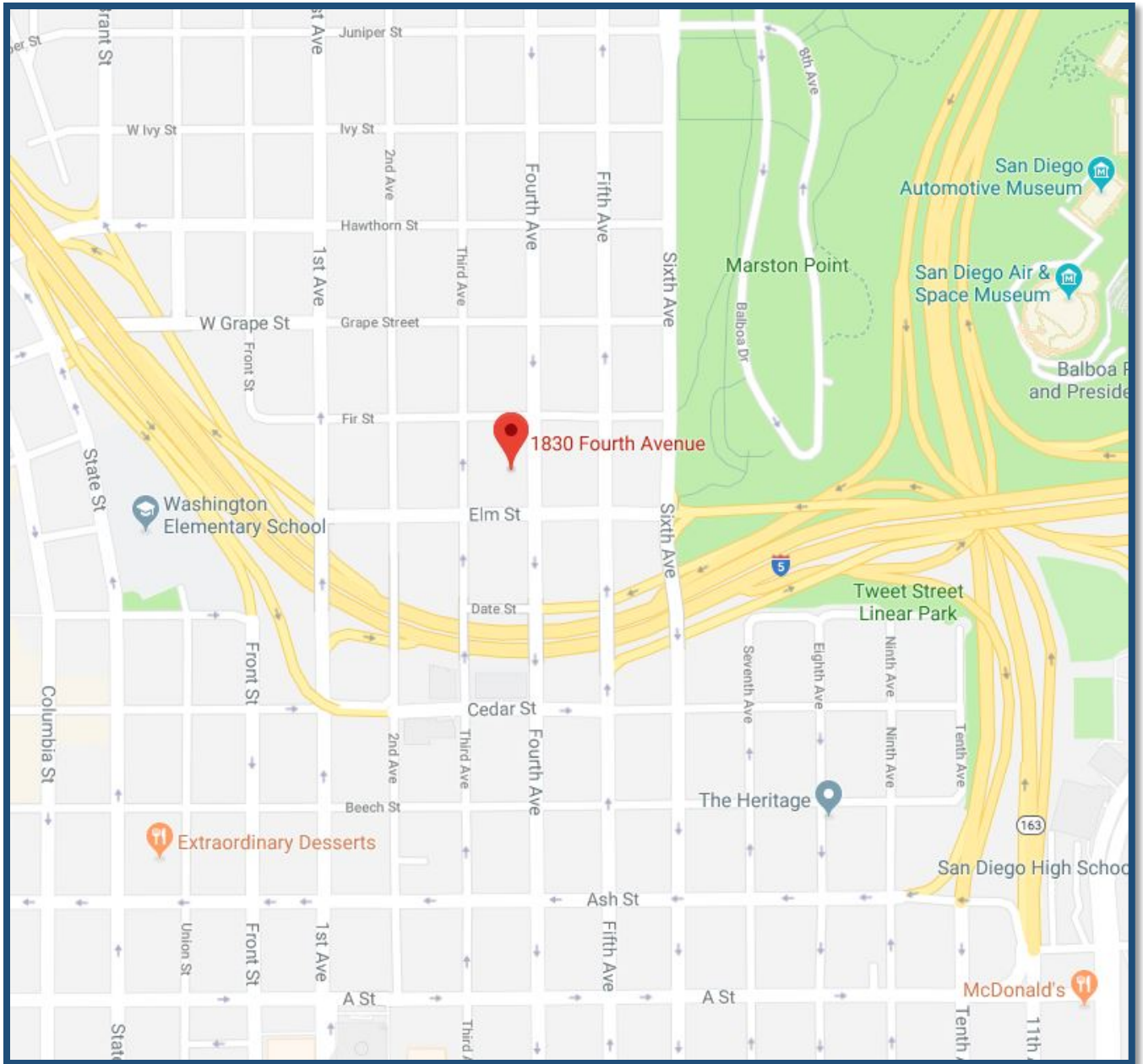


Table 3 – West Park Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
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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:
- 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 Complaint	Entity	Making	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

Title

Vice President

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

By: 

Title: Vice President

Title: _____

Dated: May, 2018

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

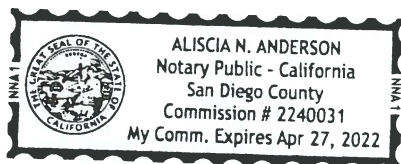
Subscribed and sworn to (or affirmed) before me on this 15 day of May, 2018

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.


Signature of Notary

SEAL



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 (aroximately 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 Rentable SF									sf		
Common Areas						20%			of Res 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)					OTHER INCOME				ESCALATORS & VACANCY			
Unit Type	Net SF	\$/SF/Month	Monthly	Annual	Residential	\$/unit/Month	Monthly	Annual	Item	Rate		
Commercial Suites	0	\$0.00	\$0	\$0	Parking Income	\$0.00	\$0	\$0	Escalator for Income	2.0%		
Vacancy	5%			\$0	Storage Income	\$0.00	\$0	\$0	Escalator for Expenses	3.0%		
Total				\$0	Laundry Income	\$10.00	\$470	\$5,640	Escalator for P'ship Expenses	3%		
					Fees and Charges	\$0.00	\$0	\$0	Escalator for Misc Expenses	0.0%		
					Other	\$0.00	\$0	\$0	Residential Vacancy	5.0%		
					Total other income/month	\$10.00	\$470	\$5,640				

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		CONSTRUCTION LOAN	
DSCR	1.25	AMT	9,000,000
Amort (Years)	35	Term (months)	18
All-in Rate	5.8%	Rate	5.3500%
Annual PMT	110,261		
Perm Loan Amt	\$1,647,001		
SOFT LOAN		LIHTC EQUITY	
Principal	\$3,593,274	DDA/QCT	Yes
Interest (Simple)	3.00%	AFR	3.27%
Term	55	Credit Pricing	\$0.94
Annual Payment	Residual Rec.	Investor Share of Credits	99.99%
SELLER LOAN		ACQUIRED RESERVES	
Principal	\$5,220,000	Existing Reserves	\$0
Interest (Simple)	3.00%		
Term	55		
Annual Payment			
LAND DONATION		LIHTC PAY-IN SCHEDULE	
Land Value	\$0.00	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/TBE	\$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 ORIGATION 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
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

\$0

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

Cash Flow Analysis 1.1

Acquisition Rehab - 4%

OPERATING BUDGET

GROSS RENTAL INCOME

Other Income

(Less) Vacancy @ 5%

EFFECTIVE GROSS INCOME

Commercial Income

TOTAL GROSS INCOME

(Less) Total Operating Expenses

NET OPERATING INCOME

(Less) Debt Service

NET PROJECT CASH FLOW

DEBT SERVICE COVERAGE RATIO

CASH WATERFALL

(Less) Incentive Management Fee

(Less) LP Asset Management Fee

(Less) Non Profit Fee

Total Fees (Partnership)

Remaining Cash Flow

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
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	(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) LP Asset Management 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)
(Less) Non Profit Fee	(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)
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
3 rd 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		Year				
		1	2	3	4	5
2.00% 2.00%	Revenues					
	Gross Scheduled Rent	462,840	472,097	481,539	491,170	500,993
	Other Income	5,640	5,753	5,868	5,985	6,105
	Total Net Income	468,480	477,850	487,407	497,155	507,098
	less 5% vacancy	(23,424)	(23,892)	(24,370)	(24,858)	(25,355)
3.00%	Expenses					
	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
3.25%	Available Cash Flow after Permanent Loan Debt Service	27,566	27,250	26,836	26,319	25,693
	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 Management 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.

Ms. Tina Kessler
Re: West Park Apartments
December 28, 2018
Page 8 of 8

- 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,

A handwritten signature in black ink, appearing to read "Peter J. Ross", written over a horizontal line.

Peter J. Ross
Principal

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO DETERMINING THAT THE ACQUISITION AND REHABILITATION OF THE WEST PARK APARTMENTS IS CATEGORICALLY EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO TITLE 14 CALIFORNIA CODE OF REGULATIONS SECTION 15301.

WHEREAS, the Housing Authority of the City of San Diego (Authority) is considering authorizing the issuance of tax-exempt multifamily housing revenue notes, and entering into related agreements, to provide funding for the acquisition and rehabilitation of the residential rental housing facility known as “West Park Apartments,” consisting of 47 apartment units located at 1830 Fourth Avenue in the City of San Diego (Project); and

WHEREAS, the California Environmental Quality Act (CEQA), California Public Resources Code (Code) sections 21000 – 21189.3, provides in section 21083 that the California Office of Planning and Research shall promulgate and the Secretary of the California Natural Resources Agency shall adopt guidelines for implementation of CEQA; and

WHEREAS, the California Office of Planning and Research promulgated and the Secretary of the California Natural Resources Agency adopted the guidelines for implementation of CEQA set forth in Title 14 California Code of Regulations sections 15000 – 15387 (CEQA Guidelines); and

WHEREAS, Code section 21084 provides that the CEQA Guidelines shall include a list of classes of projects that have been determined not to have a significant effect on the environment and are exempt from the provisions of CEQA; and

WHEREAS, CEQA Guidelines sections 15300 – 15333 list classes of projects that have been determined not to have a significant effect on the environment and declared to be exempt from preparation of environmental documents under CEQA; and

WHEREAS, the Authority has considered the written record regarding the Project and any public comments concerning the potential environmental effects of the Project; and

WHEREAS, the Authority, using its independent judgment, has determined that the Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities; and

WHEREAS, no exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project; NOW, THEREFORE,

BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the City of San Diego, as follows:

1. The Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities.
2. No exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project.

3. The Secretary of the Authority, or designee, is directed to file a Notice of Exemption in accordance with CEQA with the Clerk of the Board of Supervisors for the County of San Diego regarding the Project.

APPROVED: MARA W. ELLIOTT, General Counsel

By: _____
Marguerite E. Middaugh
Deputy General Counsel

MEM:jdf
01/08/19
Or.Dept: Housing Authority
Doc. No. 1904451



The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for West Park.

Contributing Department	Approval Date
DOCKET OFFICE	01/14/2019

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	DAVIS, JEFF	01/07/2019
DEPUTY CHIEF OPERATING OFFICER	CALDWELL, ERIK	01/14/2019
CITY ATTORNEY	MIDDAUGH, MARGUERITE	01/25/2019