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San Diego Housing Commission Loan Recommendation and Preliminary Bond Authorization for 14th and Commercial Apartments Presentation to the Board of Commissioners May 3, 2019

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SDHC – 14th and Commercial Partnership Development Recommendations

That the San Diego Housing Commission (SDHC):

- 1) Approve a proposed residual receipts loan, up to \$6,150,000, to 14th and Commercial CIC L.P. for new construction of 326 units for low- and very low-income tenants in an affordable rental housing development at 1402 Commercial Street, San Diego.
 - Including 93 units for low- and very low-income tenants
 - Plus 230 units for low- and very low-income persons experiencing homelessness with an identified disability
 - Will remain affordable for 55 years
 - SDHC loan contingent upon developer receiving necessary third-party funding.
- 2) Authorize President & Chief Executive Officer to: execute documents, implement the transaction, and take actions as necessary, convenient, and/or appropriate upon General Counsel's advice, adjust terms, and allow funds substitution.
 - The proposed \$6,150,000 maximum SDHC loan may not increase.



SDHC – 14th and Commercial Partnership Development Recommendations (Continued)

That the Housing Authority of the City of San Diego:

3) Approve initial steps to issue up to \$101,000,000 in tax-exempt Multifamily Housing Revenue Bonds, including:

- Bond inducement resolution.
- Bond allocation application to California Debt Limit Allocation Committee (CDLAC).
- Bond Counsel & Financial Advisor.

Bond final approval required at a later date.

That the San Diego City Council:

4) Hold an IRS-required Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing.





SDHC – 14th and Commercial Partnership Development Development Summary

- Proposed new construction features two contiguous residential high-rise buildings (a 14-story building and a seven-story building) on one site: 1402 Commercial Street.
- To solve certain financing issues, the co-developers have bifurcated the combined 407 units into two legally separate projects (14th and Commercial [326 units] and 14C VHHP [81 units]) that will close escrow simultaneously.
- A condominium plan will detail the two projects' legal separation.
- There will be separate loans and separate bond issuances. The two projects are being processed as two separate companion reports.



SDHC – 14th and Commercial

Partnership Development

Development Summary (Continued)

14th and Commercial Apartments:

- Proposed new construction of 326 units
 - 93 units for low- & very low-income tenants
 - 230 supportive housing units for low- and very low-income homeless persons with an identified disability
 - 3 managers' units
- 14-story building
- 65 parking spaces
- Transit-oriented development near 12th & Imperial trolley station
- Units mix of 281 studios, 17 one-bedrooms, 25 two-bedrooms, and 3 unrestricted for managers.
- The development is supported by HOUSING FIRST – SAN DIEGO, SDHC's homelessness action plan.
- Development Details Summary at Table #1, page 3 of report.



SDHC – 14th and Commercial Partnership Development Development Summary (Continued)

- The co-developers are the nonprofit SVDP Management and the for-profit Chelsea Investment Corporation.
 - Both developers are experienced.
 - Both previously obtained SDHC loans and are in full compliance.
- The co-developers are requesting:
 - \$6,150,000 residual receipts loan
 - Housing Authority issuance of up to \$101,000,000 of tax-exempt Multifamily Housing Revenue Bonds.
 - 230 federal Project-Based Housing Vouchers.
- Development Team Summary at Table #2, page 6 of report.





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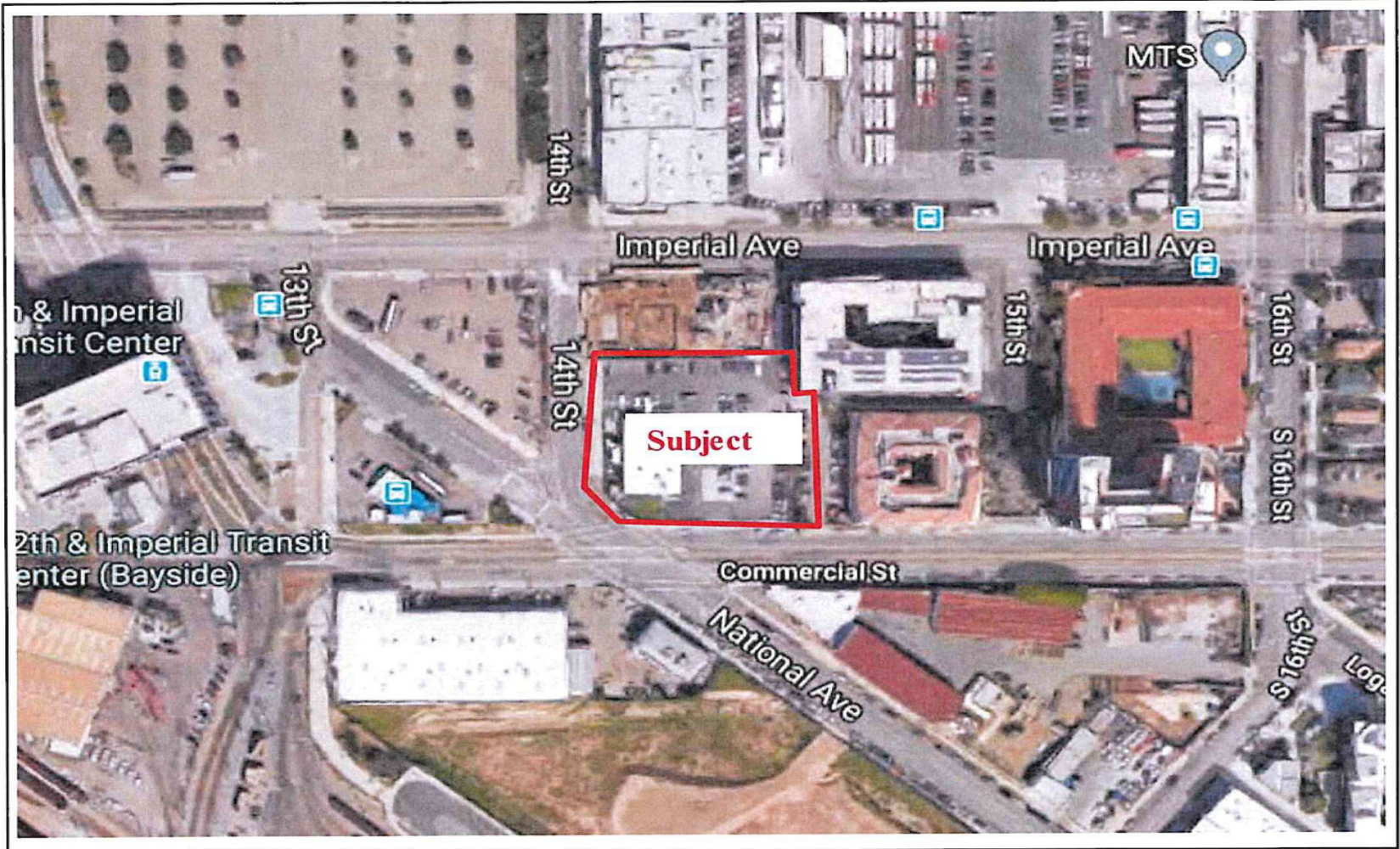
SDHC – 14th and Commercial Partnership Development

Location Map – 1402 Commercial Street, San Diego, CA



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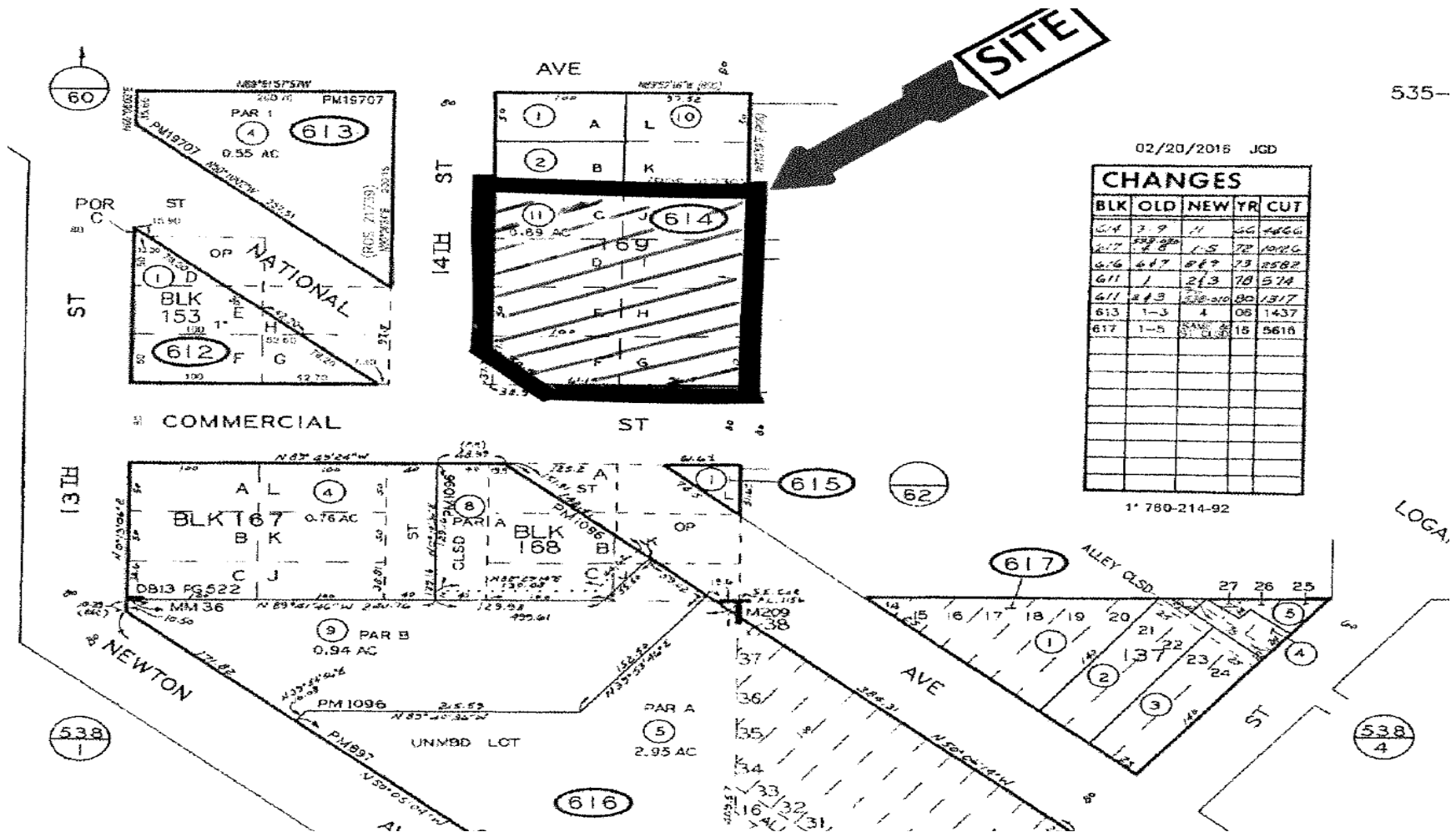




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SDHC – 14th and Commercial Partnership Development

Location Map – 1402 Commercial Street, San Diego, CA



SDHC – 14th and Commercial Partnership Development Site Photo



SDHC – 14th and Commercial Partnership Development

Estimated Sources and Uses of Permanent Financing

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (bonds financed)	\$6,540,523	Property acquisition:	\$ 19,736,216	\$60,541
State Dept. of Housing & Community Development Affordable Housing & Sustainable Communities loan	17,950,000	Construction costs \$83,726,320 Contingency + 4,186,316 Total construction \$87,912,636	\$87,912,636	\$269,671
County of San Diego Mental Health Services Act loan	20,000,000	Financing costs	\$13,312,111	\$40,835
County of San Diego No Place Like Home Program loan	15,989,280	Other soft costs	\$5,651,941	\$17,337
Developer's Land Contribution loan	14,736,216	City permits and impact fees	\$5,629,177	\$17,267
Housing Commission Proposed loan	6,150,000	Reserves	\$2,437,484	\$7,477
Developer's fee contribution and Deferred developer's fee	11,894,795 703,993	Developer's fee	16,064,795	\$49,279
Accrued interest on soft loans	2,074,019			
State Affordable Housing Program grant and Infill Infrastructure grant	5,250,000			
Four percent tax credit equity	49,455,534			
Total Development Cost	\$150,744,360	Total Development Cost (TDC)	\$150,744,360	\$462,406



SDHC – 14th and Commercial Partnership Development Affordability

Unit Type	AMI	Number of Units	Gross Rents	
Single Room Occupancy	25%	60	\$426	
Single Room Occupancy	30%	59	\$511	
Single Room Occupancy	35%	49	\$596	
Single Room Occupancy	40%	22	\$681	
Single Room Occupancy	50%	91	\$851	
One Bedroom	50%	17	\$912	
Two Bedroom	50%	25	\$1,095	
Subtotal		323		
Managers' unrestricted units		3		
Total Units		326		



SDHC – 14th and Commercial Partnership Development Development Timeline

Milestone	Estimated Date
• Housing Authority consideration	May 14, 2019
• City Council IRS-required TEFRA	May 14, 2019
• CDLAC & CTCAC applications	May 17, 2019
• CDLAC & CTCAC allocations	July 17, 2019
• SDHC final bond authorization	July 26, 2019
• HA final bond authorization	September 10, 2019
• Est'd bond issuance & loan closing	November 2019
• Est'd start of construction	December 2019
• Est'd construction completion	December 2019



SDHC – 14th and Commercial Partnership Development Bond Issuance Summary

- Proposed Bond issuance up to \$101,000,000.
- Co-developers are responsible for paying all costs of issuing Bonds.
- Issuance pursuant to SDHC's bond policy.
- Bonds issuance will not create financial liability to SDHC, or to Housing Authority or to City.
- Neither full faith and credit nor taxing power of the City nor full faith and credit of the Housing Authority will be pledged to payment of the Bonds.



SDHC – 14th and Commercial Partnership Development

Combined Two Projects: 407-Unit Summary

<u>Combined Two Projects:</u>	<u>HC Loan Funds</u>	<u>Units</u>	<u>SDHC \$ Per Unit</u>	<u>Total Dev Cost</u>	<u>TDC Per Unit</u>
14th & Commercial Apts	\$ 6,150,000	326	\$ 18,865	\$ 150,744,360	\$462,406
14C VHHP Apts	\$ 5,350,000	81	\$ 66,049	\$ 35,174,175	\$434,249
Combined Totals	\$ 11,500,000	407	\$ 28,256	\$ 185,918,535	\$456,802



SDHC – 14th and Commercial Partnership Development Artist's Rendering



SDHC – 14th and Commercial Partnership Development Artist's Rendering

