



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: June 14, 2019

HCR19-053

SUBJECT: Loan Recommendation for Quality Inn

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate

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

REQUESTED ACTION:

Approve a residual receipts loan to facilitate the rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 Fourth Avenue, San Diego 92101, which will include 91 units that will remain affordable for 55 years for transitional age youth, veterans, seniors and adults with mental disabilities who are experiencing homelessness.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed affordable housing development is an existing four-story building at 1840 4th Avenue composed of 92 units—49 studios, 42 single-room occupancy (SRO) units, and a studio manager's unit. On average, the units are approximately 200 square feet.
- On November 30, 2018, the Housing Commission approved a Moving to Work (MTW) grant allocation of up to \$5,602,926 for the rehabilitation of Quality Inn. The recommended actions in this report would modify the source of funds for this rehabilitation, but would not increase the total funding amount previously approved. This action would authorize a residual receipts loan of \$5,240,000 and reduce the MTW grant amount to \$362,926.
- The developer is Housing Development Partners (HDP), the Housing Commission's nonprofit affiliate. HDP is an experienced developer that has successfully participated in affordable housing developments throughout San Diego.
- Total development cost of the development is \$13,227,376.
- Total development cost per residential unit is \$143,776.
- Housing Commission subsidy per unit is \$60,902 (loan and grant).
- The Housing Commission acquired Quality Inn in December 2017 and previously approved an award of 91 federal Project-Based Housing Vouchers for this development. Units are set aside for individuals experiencing homelessness (transitional age youth, veterans, seniors and adults with mental disabilities), and are filled through the Coordinated Entry System.
- If the proposed actions are approved, the developer could commence construction in August 2019 and complete construction by August 2020.
- Quality Inn supports the creation of permanent housing opportunities through HOUSING FIRST – SAN DIEGO, the Housing Commission's homelessness action plan, for San Diegans experiencing homelessness.



REPORT

DATE ISSUED: June 6, 2019

REPORT NO: HCR19-053

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 14, 2019

SUBJECT: Loan Recommendation for Quality Inn

COUNCIL DISTRICT: 3

REQUESTED ACTION

The seven-day advance notice of San Diego Housing Commission's hearing of this matter is being provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A) and (B).

Approve a residual receipts loan to facilitate the rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 Fourth Avenue, San Diego 92101, which will include 91 units that will remain affordable for 55 years for transitional age youth, veterans, seniors and adults with mental disabilities who are experiencing homelessness.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions, as described in this report.

- 1) Approve a Housing Commission loan of up to \$5,240,000 to HDP Quality Inn LLC, a California limited liability company, of which Housing Development Partners (HDP), the Housing Commission's nonprofit affiliate, is the managing member, to facilitate the proposed rehabilitation of Quality Inn, a 92-unit existing development, located at 1840 Fourth Avenue, San Diego 92101, which will include 91 units that will remain affordable for 55 years for transitional age youth, veterans, seniors, and adults with mental disabilities who are experiencing homelessness.

The Housing Commission's proposed loan will be part of the developer's third-party funding commitments, including a California Mental Health Services Act (MHSA) loan of \$2,704,500 and a bank loan of \$4,912,920 described in this report. Such third-party funding commitments will be subject to the Housing Commission's General Counsel's approval.

- 2) Authorize the Executive Vice President and Chief of Staff (Executive Vice President), or designee:
 - a. To adjust financing terms/conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$5,240,000 maximum loan amount may not increase.
 - b. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the Executive Vice President, or designee, to take such actions as are necessary, convenient and/or

appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel, including without limitation, the execution of loan documentation on behalf of the Housing Commission.

SUMMARY

A development summary is at Attachment 1.

Table 1 – Development Details

Address	1840 Fourth Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown Community Planning Area
Developer	Housing Development Partners (HDP)
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on-site
Housing Type	Multifamily (four-story structure)
Lot Size	10,018 square feet (rectangular in shape) (0.230 acres)
Units	92 (91 units affordable)
Density	400 dwelling units per acre (92 units ÷ 0.230 acres)
Unit Mix	42 SRO units, 49 studio units, and a studio manager’s unit
Gross Building Area	23,612 square feet
Net Rentable Area	18,366 square feet (residential total)

The Development

Quality Inn is a 92-unit existing building constructed in 1990. It is located at 1840 Fourth Avenue (between Elm Street and Fir Street) (Attachment 2 - site maps). Quality Inn is one building with four stories, including elevator service. There is no on-site parking. Site amenities include a central courtyard, community room, on-site laundry, and secured entry. Bus service is available nearby on Fourth and Fifth Avenues. Adjacent to the property on the north side 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, a parking lot, and a hotel. To the west are Third Avenue, a parking lot, multifamily residential and religious uses.

Prior Actions

On December 14, 2017, the Housing Commission acquired Quality Inn property for \$10,480,000, partially funded with Moving to Work (MTW) funds, and leased the property to HDP Quality Inn, LLC to operate as permanent supportive housing. A copy of the lease is included as Attachment 3 to this report.

On November 30, 2018, the Housing Commission approved an MTW grant allocation up to \$5,602,926 in addition to amendments to the ground lease. The recommended actions in this report will modify the source of funds for this rehabilitation. They will not increase the total funding of \$5,602,926 previously approved for this rehabilitation. These recommended actions reduce the MTW grant funding to \$362,926 and authorize a residual receipts loan in the amount of \$5,240,000 to be funded by Community Development Block Grant Affordable Housing Revolving Loan funds. This change in funding source is to maximize the resources the Housing Commission administers for the creation and preservation of affordable housing within the time limits required by different funding sources.

Quality Inn supports the creation of permanent housing opportunities for homeless San Diegans through HOUSING FIRST – SAN DIEGO, the Housing Commission’s homelessness action plan. The current phase of HOUSING FIRST – SAN DIEGO, which launched on July 1, 2017, has created more than 4,000 permanent housing opportunities for San Diegans experiencing homelessness, exceeding its three-year goal in less than two years. This phase builds upon the accomplishments of the programs in the first three years of HOUSING FIRST – SAN DIEGO (2014-2017), which created housing opportunities for more than 2,900 San Diegans experiencing homelessness.

Developer’s Request

HDP Quality Inn, LLC, submitted a request for a Housing Commission loan of \$5,240,000.

Building Conditions/Proposed Rehabilitation Work

HDP Quality Inn, LLC, intends to complete a comprehensive/substantial renovation of Quality Inn. An estimated rehabilitation summary is included as Attachment 4. A Physical Needs Assessment (PNA) was conducted by Building Consultants, Inc., which identified and assisted in development of the scope of work.

The current estimate of rehabilitation hard costs is \$8,263,233 (\$89,818/unit). This amount includes estimated costs to add kitchenettes to 50 of the units to convert the SROs into studios; incorporate Americans with Disabilities Act (ADA) updates consistent with City of San Diego building code requirements, upgrade existing building systems to extend useful life; add new bathroom fixtures; update fire/life-safety components; elevator modernization; roof replacement; and painting of the interior and exterior of the building. A General Contractor has not yet been selected.

Prevailing Wages

HDP Quality Inn LLC’s use of Project-Based Section 8 rental housing vouchers, the previously approved grant allocation of U.S. Department of Housing and Urban Development (HUD) Moving to Work Grant funds, and this proposed allocation of HUD Community Development Block Grant Affordable Housing Revolving Loan funds (CDBG AHRLF), 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 higher of the two rates will apply.

Relocation

For this acquisition/rehabilitation project, the temporary relocation of up to 92 households will be required. The project is scheduled to begin in the third quarter 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 will contract with a professional relocation consultant to manage the relocation process. HDP Quality Inn LLC will ensure that all required notices and associated benefits are provided. The relocation consultant will provide ongoing support.

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 multiple affordable developments utilizing Housing Commission loans. Recent developments include:

- New Palace Hotel, at 1814 Fifth Avenue: An 80-unit rehabilitation development, completed in 2018, with a \$3,040,000 Housing Commission loan and a \$10,500,000 tax-exempt Multifamily Housing Revenue Bond issuance.
- San Diego Square, at 1055 Ninth Avenue: A 156-unit rehabilitation development, completed in 2016, with a \$17,825,000 tax-exempt bond issuance.
- Hotel Churchill, at 827 C Street: A 73-unit rehabilitation development, completed in 2016, with a \$6,106,609 Housing Commission loan and a \$9,289,800 MTW grant.

HDP is in full compliance with previous Housing Commission loans. 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 Quality Inn rehabilitation. HDP will act as the borrower’s managing member (Attachment 4 – organization chart).

Property Management and Supportive Services

Quality Inn 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 rental housing vouchers.

Resident supportive services are provided by the County of San Diego Behavioral Health Services, St. Paul’s Program of All-Inclusive Care for the Elderly (PACE), the U.S. Department of Veterans Affairs (VA) San Diego Healthcare System, Home Start, and San Diego Youth Services. Units are set aside for transitional age youth, veterans, seniors, and adults with disabilities who are experiencing homelessness. On-site and off-site supportive services include: medical support, daily living support, nutrition and transportation support, in addition to other services as needed on a case-by-case basis for tenants.

Table 2 – Quality Inn Population

Population to be Served	Service Providers	Total # of Units
Transitional Age Youth	Pathways	13
Transitional Age Youth & Adults with Mental Illness	Community Research Foundation	12
Seniors (age 55+)	St. Paul’s PACE	31
Veterans	Veterans Administration	20
Non-VA Veterans (other than honorable discharged)	St. Paul’s PACE	3
Transitional Age Youth	San Diego Youth Services/ Home Start	12
Totals		91

Table 3 – Development Team Summary

Role	Firm
Owner	San Diego Housing Commission
Leasehold	HDP Quality Inn, LLC
Managing Partner	HDP Quality Inn, LLC
Architect	BASIS Architecture & Consulting
Civil Engineer	Kettler Leweck Engineering
General Contractor	To be selected
Property Manager	SK Management
Relocation Consultant	To be selected

Service Provider	County of San Diego Behavioral Health Services, St. Paul's PACE, VA San Diego Healthcare System, and San Diego Youth Services
Construction & Perm Lender	To be selected

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 6.

FINANCING STRUCTURE

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 6) and summarized below.

Table 4 – Quality Inn Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan	\$4,919,950	Hard costs	\$8,263,233	\$89,818
SDHC MTW grant	\$362,926	Developer fee	\$2,000,000	\$21,739
SDHC proposed loan	\$5,240,000	Architect/Engineering - \$310,000		
		Permits & fees - \$120,000		
		Third party reports - \$ 50,401		
		Other soft costs - + \$1,479,478		
		Subtotal - 1,989,879	\$1,989,879	\$21,303
Proposed MHSA loan	\$2,704,500	Financing	\$627,628	\$6,822
		Reserves	\$359,348	\$3,906
Total Development Cost	\$13,227,376	Total Development Cost (TDC)	\$13,227,376	\$143,776

The proposed Housing Commission loan will be funded with up to \$5,240,000 with HUD Community Development Block Grant (CDBG) funds granted to the City of San Diego and administered by the Housing Commission in the CDBG Affordable Housing Revolving Loan Fund. A final determination of Housing Commission funding sources will be made by the Housing Commission's Executive Vice President, or designee, contingent upon budget availability.

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 5 are commonly used by real estate industry professionals and affordable housing developers.

Table 5 - Key Performance Indicators

Development Cost Per Unit	\$13,227,376 ÷ 92 units =	\$143,776
Housing Commission Subsidy Per Unit		
Loan	\$5,240,000 ÷ 92 units =	\$56,957
Grant	\$362,926 ÷ 92 units =	\$3,945
Total	\$5,602,926 ÷ 92 units =	\$60,902
Gross Building Square Foot Hard Cost	\$8,263,233 ÷ 23,612 sq. ft. =	\$350
Net Rentable Square Foot Hard Cost	\$8,263,233 ÷ 18,366 sq. ft. =	\$450

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 6 – 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.
Quality Inn	2019	V	92	\$13,227,376	\$143,776	\$60,902	\$350
West Park	2019	V	47	\$15,593,274	\$331,772	\$76,453	\$457
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

Developer Fee

HDP is proposing a developer fee of \$2,000,000 (\$21,739/unit). On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR 17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: “*Developer fee for rehabilitation without tax credits up to \$2,000,000 rehabilitation*”. For this development, the developers are proposing a \$2,000,000 total developer fee, which complies with HAR17-011. 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.

AFFORDABLE HOUSING IMPACT

On December 12, 2017, Housing Commission staff approved a commitment for 91 Section 8 Project-Based Housing Vouchers for Quality Inn. 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 that will restrict the affordability of 91 units for 55 years. The project’s 91 units will be affordable to tenants with income levels up to 80 percent of San Diego’s Area Median Income (AMI), currently \$44,940 per year for a studio one-person household.

Table 7 – Affordability and Monthly Estimated Rent Table

Affordability Mix	Studios	SRO Units*	Estimated Rent
80% AMI units	49	--	\$1,085
80% AMI units	--	42	\$815
Manager’s unrestricted unit	1	--	--
Subtotal	50	42	
Combined Total Units	92		

* 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 2020 Budget. Approving this action will result in the rehabilitation of a 92-unit development.

Funding sources approved by this action will be as follows:

- CDBG AHRLF – up to \$5,240,000
- Total Funding Sources – up to \$5,240,000

Funding uses approved by this action will be as follows:

- Loans - up to \$5,240,000
- Total Funding Uses - up to \$5,240,000

Approving these actions will further grant the Executive Vice President, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission grant amount does not exceed the approved total grant amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
<ul style="list-style-type: none">• Rehabilitation Finance Closing	<ul style="list-style-type: none">• Estimated July 2019
<ul style="list-style-type: none">• Start of construction work	<ul style="list-style-type: none">• Estimated August 2019
<ul style="list-style-type: none">• Completion of construction work	<ul style="list-style-type: none">• Estimated August 2020

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

HDP presented the project as an information item 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 Quality Inn, HDP as developer and managing member of the borrower HDP Quality Inn, LLC, 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.

This project is partially funded with federal funds. The activities described herein are Categorical Excluded subject to Section 58.5 from the National Environmental Policy Act (NEPA) pursuant to Section 58.35(a)(3) of Title 24 of the Code of Federal Regulations. The City of San Diego and San Diego Housing Commission have conducted a limited Environmental Review of this project as required under Section 58.35(a), and have determined that this project converts to exempt status per Section 58.34(a)(12). The final clearance for this project was approved by the City of San Diego on April 26, 2019.

HOUSING DEVELOPMENT PARTNERS CONFLICT DISCLOSURE STATEMENT:

Housing Development Partners' 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 Housing Development Partners' 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 Housing Development Partners 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, Housing Development Partners may form an affiliated limited partnership or LLC and under such a scenario, Housing Development Partners will be the managing general partner for its affiliated limited partnership or LLC. The grantee HDP Quality Inn LLC's affiliated managing general partner is planned to have the same makeup as the Housing Development Partners' Board, and Commissioner Benvenuto, Commissioner 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. Organization Chart
 5. Developer Disclosure Statement
 6. Developer's Pro Forma
 7. Proposed Loan Terms

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	1840 4 th Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown
Developer	Housing Development Partners (HDP)
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	No parking on site
Housing Type	Multifamily (four-story structure)
Lot Size	10,018 square feet (rectangular in shape) (0.230 acres)
Units	92 (91 units affordable)
Density	400 dwelling units per acre (92 units ÷ 0.230 acres)
Unit Mix	42 SRO units, 49 studio units, and a studio manager's
Gross Building Area	23,612 square feet
Net Rentable Area	10,120 square feet (residential total)
Developer	18,366 square feet (residential total)

Table 2 – Quality Inn Population

Population to be Served	Service Providers	Total # of Units
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Proposed MHSA loan	\$2,704,500	Financing	\$627,628	\$6,822
		Reserves	\$359,348	\$3,906
Total Development Cost	\$13,227,376	Total Development Cost (TDC)	\$13,227,376	\$143,776

Table 5 – Key Performance Indicators

Development Cost Per Unit	$\$13,227,376 \div 92 \text{ units} =$	\$143,776
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Grant	$\$362,926 \div 92 \text{ units} =$	\$3,945
Total	$\\$5,602,926 \div 92 \text{ units} =$	\$60,902
Gross Building Square Foot Hard Cost	$\$8,263,233 \div 23,612 \text{ sq. ft.} =$	\$350
Net Rentable Square Foot Hard Cost	$\$8,263,233 \div 18,366 \text{ sq. ft.} =$	\$450

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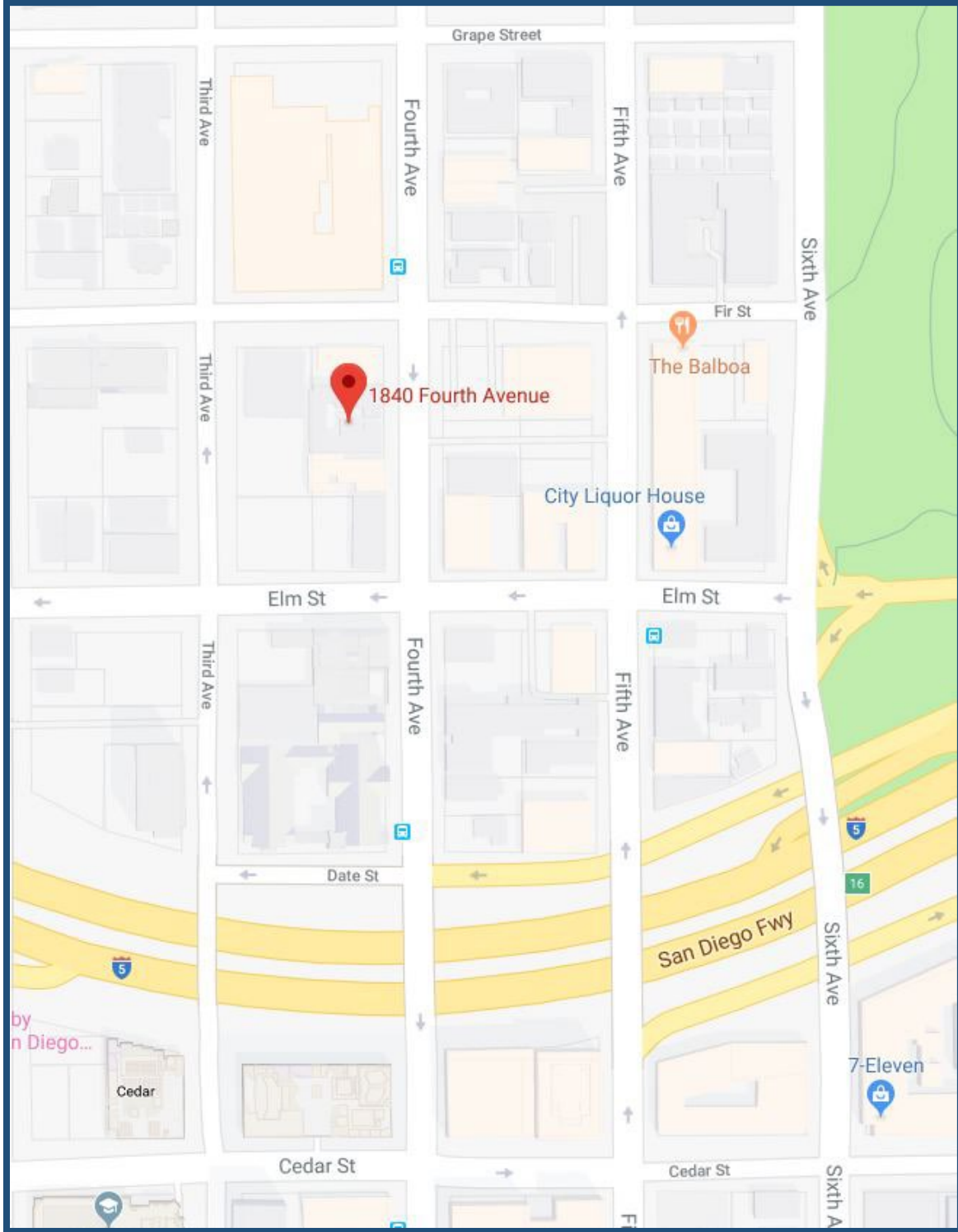
Table 6 Quality Inn Affordability and Monthly Estimated Rent Table

Affordability Mix	Studios	SRO Units*	Estimated Rent
60% AMI units	49	--	\$1,085
60% AMI units	--	42	\$815
Manager's unrestricted unit	1	--	--
Subtotal	50	42	
Combined Total Units	92		

* Based on Section 8 Project-Based Rent.

Attachment 2

Site Map

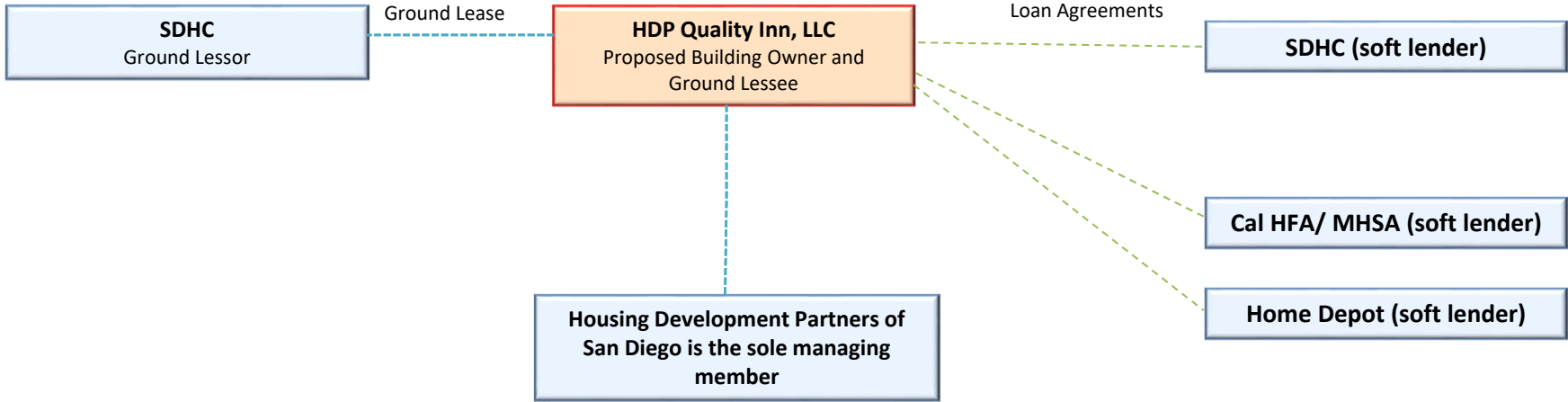


Quality Inn

Proposed Scope of Rehabilitation

- 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 office spaces in former service areas
- 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
- Upgrade Unit HVAC systems – 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 doors & 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
- Project Signage/awnings
- Repair/replacement of landscaping & irrigation systems

Quality Inn
ORGANIZATIONAL CHART





SAN DIEGO
HOUSING
COMMISSION

Real Estate Department

**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 Suite 530, San Diego, CA 92101
3. Telephone Number: 619-578-7488
4. Name of Principal Contact for CONTRACTOR: Michael C. Pavco
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:
- If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
 - If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - 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.
 - 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%.

Name, Address and Zip Code _____	Position Title (if any) and percent of interest or description of character and extent of interest
-------------------------------------	--

Name: Richard C. Gentry	President & CEO
Address: 619-578-7532	0
Name: Gary Grambling	Vice President & Audit Committee Member
Address: 760-455-4978	0
Name: Roberta Spoon	Assistant Secretary & Audit Committee Member
Address: 619-234-4173	0
Name: Tim Walsh	Board Member
Address: 619-305-3261	0
Name: Stefanie Benvenuto	Secretary
Address: 714-336-6536	0

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.

Yes. HDP Board members Stefanie Benvenuto and Tim Walsh were brought on to replace prior members Dottie Surdi and Ben Moraga as of the September 27, 2018 meeting.

10. Is it anticipated that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No.

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

<u>Name, Address and Zip Code</u>	<u>Position Title (if any) and extent of interest</u>
None	N/A

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 and Phone
Name: Michael C. Pavco	Senior Vice President
Address: 701 B Street, Suite 530	619-578-7488
San Diego, CA 92101	
Name: Pari Ryan	Director
Address: 701 B Street, Suite 530	619-578-7547
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 whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name: San Diego Housing Commission	Affiliate through shared board members, Gentry, Walsh, Benvenuto
Address: 1122 Broadway	
San Diego, CA 92101	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

a. Name, Address & Zip Code of Bank/Savings & Loan:

Name: US Bank

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

Amount: \$ 5,700,000

b. By loans from affiliated or associated corporations or firms:

Name, Address & Zip Code of Bank/Savings & Loan:

Amount: \$ _____

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
N/A	\$	\$

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	

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 X No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?
 ___ Yes X No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Bond Type	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:
 Not Applicable.

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

N/A

- 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 X 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.

N/A

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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N/A

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

N/A

22. Provide a detailed and complete statement respecting 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:

N/A

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, 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 X No

If yes, explain:

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

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 the COMMISSION setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission 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 so state:

<u>Government Entity Making Complaint</u>	<u>Date</u>	<u>Resolution</u>
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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? If so, please explain the circumstances in detail. If none, please so state:

None

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:

<u>Governmental Agency</u>	<u>Description License</u>	<u>License Number</u>	<u>Date Issued (original)</u>	<u>Status (current)</u>	<u>Revocation (yes/no)</u>
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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 the COMMISSION.

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 the COMMISSION.

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

<u>Date</u>	<u>Entity Involved (i.e., CITY COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
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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 who would be familiar with your previous construction project:

Name: San Diego Housing Commission

Address: 1122 Broadway, San Diego, CA 92101

Phone: _____

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

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

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 respecting 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.

Construction General Contractor TBD

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 ("COMMISSION"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the COMMISSION, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the COMMISSION, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

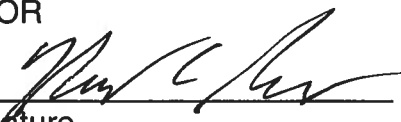
CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information 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 11th day of October, 2018, at San Diego, California.

CONTRACTOR

By:



Signature
SVP

Title

CERTIFICATION

The CONTRACTOR, Housing Development Partners, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: Michael C Pavco

By: *[Signature]*

Title: Senior Vice President

Title: SVP

Dated: 10/11/18

Dated: 10/11/18

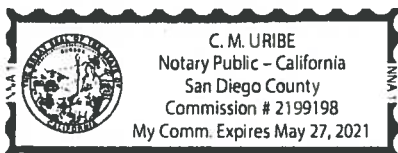
WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

ATTEST:

State of California

County of San Diego

Subscribed and sworn to before me this 11th day of October, 2018.



SEAL

[Signature]
Signature of Notary

C.M. Uribe, Notary Public
Name of Notary

Quality Inn

DEVELOPMENT COSTS

	Unit Cost	Total	Per Unit
HARD COSTS			
2005 DEMOLITION	0.00%	\$0	\$0
2030 REHABILITATION (RESIDENTIAL) Prevail. Wage	\$66,000	\$6,589,500	\$71,625
2045 GENERAL CONDITIONS/REQUIREMENTS	6.00%	\$395,370	\$4,298
2050 GENERAL CONTRACTOR FEE (OHP)	8.00%	\$527,160	\$5,730
2060 HARD COST CONTINGENCY (OWNER)	10.00%	\$751,203	\$8,165
TOTAL HARD COSTS		\$8,263,233	\$89,818
PERMITS & FEES			
3030 MUNICIPAL	\$120,000	\$120,000	\$1,304
TOTAL PERMITS & FEES		\$120,000	\$1,304
ARCHITECTURE & ENGINEERING			
4005 ARCHITECT	\$250,000	\$250,000	\$2,717
4010 CIVIL ENGINEERING	\$25,000	\$25,000	\$272
4030 OTHER CONSULTANTS-SPECIAL INSPECTIONS	\$35,000	\$35,000	\$380
TOTAL ARCHITECTURE & ENGINEERING		\$310,000	\$3,370
THIRD PARTY REPORTS			
5005 APPRAISAL	\$6,750	\$6,750	\$73
5010 MARKET STUDY	\$4,500	\$4,500	\$49
5020 ENVIRONMENTAL (PH1 & PH2)	\$4,600	\$4,600	\$50
5025 PHYSICAL NEEDS ASSESSMENT	\$3,250	\$3,250	\$35
5040 REMEDIATION TESTING & CONSULTANT		\$0	\$0
5040 OTHER TECHNICAL REPORTS	\$26,719	\$26,719	\$290
8075 THIRD PARTY REPORT CONTINGENCY	\$4,582	\$4,582	\$50
TOTAL DILIGENCE COSTS	\$50,401	\$50,401	\$548
FINANCING COSTS			
6040 BRIDGE LOAN LENDER APPRAISAL	\$0	\$0	\$0
6045 BRIDGE LOAN INTEREST	\$67,500	\$67,500	\$734
6005 CONSTRUCTION LOAN ORIGATION FEE	\$50,000	\$50,000	\$543
6010 CONSTRUCTION LOAN LEGAL	\$50,000	\$50,000	\$543
6015 CONSTR LENDER APPLICATION / DUE DILIGENCE	\$25,000	\$25,000	\$272
6025 INTEREST DURING CONSTRUCTION	\$243,538	\$243,538	\$2,647
6130 PERM LOAN CONVERSION FEE	\$10,000	\$10,000	\$109
6115 PERM LOAN DUE DILIGENCE	\$0	\$0	\$0
6105 CALHFA & SDHC FEES	\$154,090	\$154,090	\$1,675
6135 SOFT LOAN LENDER LEGAL	\$27,500	\$27,500	\$299
TOTAL FINANCING COSTS		\$627,628	\$6,822
RESERVES			
7005 REPLACEMENT RESERVE - INITIAL DEPOSIT	\$500	\$46,000	\$500
7010 LEASE UP RESERVE		\$165,000	\$1,793
7010 OPERATING RESERVE (3 mos)	3	\$148,348	\$1,612
TOTAL RESERVES		\$359,348	\$3,906

Quality Inn

DEVELOPMENT COSTS

	Unit Cost	Total	Per Unit
OTHER SOFT COSTS			
8020 LEGAL - DEVELOPER	\$100,000	\$100,000	\$1,087
8005 LEGAL - ENTITLEMENTS & PREDEV	\$20,000	\$20,000	\$217
8035 ACCOUNTING/COST CERT	\$15,000	\$15,000	\$163
8045 RELOCATION COSTS	\$598,000	\$598,000	\$6,500
8045 RELOCATION STUDY	\$30,000	\$30,000	\$326
5035 ALTA SURVEY	\$10,000	\$10,000	\$109
8055 PREPAID INSURANCE	\$15,000	\$15,000	\$163
8060 TITLE/ESCROW/RECORDING	\$32,100	\$32,100	\$349
8065 REAL ESTATE TAXES	\$10,000	\$10,000	\$109
4025 CONSTRUCTION MANAGEMENT	\$144,000	\$144,000	\$1,565
8085 BORROWER FINANCIAL ANALYST	\$50,000	\$50,000	\$543
8030 FF&E - RESIDENTIAL	\$50,000	\$50,000	\$543
8080 FF&E - COMMON AREA	\$50,000	\$50,000	\$543
2055 BONDING & INSURANCE	2%	\$165,265	\$1,796
8075 SOFT COST CONTINGENCY		\$207,402	\$2,254
TOTAL OTHER SOFT COSTS		<u>\$1,496,767</u>	<u>\$16,269</u>
DEVELOPER FEE			
9005 DEVELOPER FEE		<u>\$2,000,000</u>	<u>\$21,739</u>
TOTAL DEVELOPER FEE		\$2,000,000	\$21,739
GRAND TOTAL DEVELOPMENT COSTS		\$13,227,376	\$143,776

Quality Inn

Cash Flow Analysis 1.1

	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
OPERATING BUDGET															
GROSS RENTAL INCOME	1,061,760	1,082,995	1,104,655	1,126,748	1,149,283	1,172,269	1,195,714	1,219,628	1,244,021	1,268,901	1,294,280	1,320,165	1,346,568	1,373,500	1,400,970
Other Income	3,312	3,378	3,446	3,515	3,585	3,657	3,730	3,804	3,881	3,958	4,037	4,118	4,200	4,284	4,370
(Less) Vacancy @ 5%	(53,254)	(54,319)	(55,405)	(56,513)	(57,643)	(58,796)	(59,972)	(61,172)	(62,395)	(63,643)	(64,916)	(66,214)	(67,538)	(68,889)	(70,267)
EFFECTIVE GROSS INCOME	1,011,818	1,032,055	1,052,696	1,073,750	1,095,225	1,117,129	1,139,472	1,162,261	1,185,507	1,209,217	1,233,401	1,258,069	1,283,230	1,308,895	1,335,073
Commercial Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GROSS INCOME	1,011,818	1,032,055	1,052,696	1,073,750	1,095,225	1,117,129	1,139,472	1,162,261	1,185,507	1,209,217	1,233,401	1,258,069	1,283,230	1,308,895	1,335,073
(Less) Total Operating Expenses	(593,393)	(611,195)	(629,531)	(648,417)	(667,869)	(687,905)	(708,542)	(729,799)	(751,693)	(774,243)	(797,471)	(821,395)	(846,037)	(871,418)	(897,560)
NET OPERATING INCOME	418,425	420,860	423,165	425,333	427,356	429,224	430,929	432,463	433,814	434,973	435,930	436,674	437,194	437,477	437,513
(Less) Debt Service	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)	(335,219)
NET PROJECT CASH FLOW	83,206	85,641	87,946	90,114	92,136	94,005	95,710	97,243	98,595	99,754	100,711	101,455	101,974	102,258	102,293
DEBT SERVICE COVERAGE RATIO	1.25	1.26	1.26	1.27	1.27	1.28	1.29	1.29	1.29	1.30	1.30	1.30	1.30	1.31	1.31
CASH WATERFALL															
(Less) LP Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) Non Profit Fee	(15,000)	(15,150)	(15,302)	(15,455)	(15,609)	(15,765)	(15,923)	(16,082)	(16,243)	(16,405)	(16,569)	(16,735)	(16,902)	(17,071)	(17,242)
Total Fees (SNHP and Partnership)	(15,000)	(15,150)	(15,302)	(15,455)	(15,609)	(15,765)	(15,923)	(16,082)	(16,243)	(16,405)	(16,569)	(16,735)	(16,902)	(17,071)	(17,242)
Remaining Cash Flow	68,206	70,491	72,644	74,659	76,527	78,240	79,787	81,161	82,352	83,349	84,142	84,720	85,072	85,187	85,051



ATTACHMENT 7
PROPOSED LOAN NON-BINDING COMMITMENT TERMS SUMMARY

Quality Inn Apartments
1840 4th Avenue, San Diego, 92101
May 31, 2019

The San Diego Housing Commission (“Housing Commission”) is pleased to submit this non-binding commitment term summary. This commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners (“Board of Commissioners”) and, if necessary, the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan (“Housing Commission Loan”) to an entity controlled by HDP Quality Inn, LLC, a California limited liability company (which entity shall be referred to herein as the “Borrower”) for Quality Inn Apartments (“Project”) with respect to the proposed rehabilitation and permanent financing of a 92-unit development (with 91 affordable units and one unrestricted manager’s unit) located at 1840 4th Avenue, San Diego. Closing must occur within eighteen (18) months of the Board of Commissioners approval of the Housing Commission loan, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion.

In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply. Provided the Housing Commission Loan is approved by the Board of Commissioners, and if necessary by Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission Loan. In addition, Exhibit A includes the Borrower’s pro forma which models financial projections of the Project.

The terms of the Housing Commission’s proposed financing shall be as follows:

1. **Maximum loan amount (not to exceed)** - Up to \$5,240,000 as a residual receipts loan. Loan funds to be used for the acquisition, rehabilitation and permanent financing of the Project.
2. **Interest Rate** – Four (4) percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** - Annual payments on the loan shall equal the 50% percent of the Project’s residual cash. Provided, however, if the Housing Commission



approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50% percent of the Project's residual receipts, in proportion to the original principal balances of their respective loans. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

- (i) The year 1 "Limited Partnership Fees" shall be capped at \$25,000. "Limited Partnership Fees" shall be defined to include any and all partnership-related fees including but not limited to: Investor Partnership fees, Asset Management fees, Other Limited Partnership oversight fees, and General Partner Fees. Partnership fee increases will be capped at three (3) percent annually. Unpaid partnership fees shall not accrue and the Housing Commission will require the Limited Partnership Agreement to explicitly state that requirement.
- (ii) Eligible deferred developer fee, and
- (iii) Repayment of eligible development deficit and operating deficit loans.

5. **Affordability** -

- a. Restricted units must remain affordable for 55 years. At escrow closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
- b. The affordability shall be as follows:

Unit Type	AMI	Affordable Units
SRO	80%	42
Studio	80%	49
Manager's Unit	N/A	1
TOTAL		92

- 6. **Appraised Value** - The purchase price of land and improvements shall not exceed the \$10,480,000, appraised value as shown in the MDS Realty Advisors, July 18, 2017 appraisal report. In the event that the developer, HDP Quality Inn, LLC, or its affiliate, acquires the land prior to Housing Commission Loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan, payable from the Borrower's share of residual receipts. Borrower will submit an updated appraisal report with an effective date that is no more than 90 days before the closing.

- 7. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs,



including, without limitation, paying for an American Land Title Association (ALTA) Lender's Policy for the Housing Commission Loan with endorsements, as acceptable to the Housing Commission's legal counsel.

8. **Construction Costs Third-Party Review** - Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
9. **Contractor** - The construction contract shall be competitively bid to at least three qualified General Contractors and shall be awarded to the lowest qualified and responsive bidder.
 - a. Borrower will submit copies of three qualified bids received from subcontractors for each trade.
 - b. Construction Agreement - Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Subcontractors – the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the rehabilitation of the Project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - d. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.
 - e. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.
 - f. Insurance - prior to close of escrow, evidence of the General Contractor's insurance acceptable to the Housing Commission's legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the General Contractor's insurance policies.
10. **First Mortgage** - Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of



closing.

11. **Cost Certification** - The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost certification is completed/finalized.
12. **Cost Savings and/or Additional Proceeds at Escrow Closing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon the construction loan closing, the excess funds shall be used as follows:
 - a. First, such excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to pay the Housing Commission Loan as set forth in Section 15 below.
 - c. Other Public Lenders - If the Project financing includes other public lenders who may require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders' agreements.
13. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows:
 - a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - b. Second, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
 - c. Third, payment towards the Borrower's deferred developer fee. A deferred developer fee is currently modeled in the pro forma (Attachment A).
 - d. Fourth, cost savings shall be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans.
 - e. Excess funds will be applied first to pay down the accrued interest and the remaining amount shall pay down the principal of the Housing Commission Loan.
14. **Developer Fee** -
 - a. Maximum Fee \$2,000,000 paid from Development Sources with the excess Developer Fee calculated per TCAC and SDHC guidelines.
 - b. Additional developer fee provisions



- i. If for any reason the Borrower does not collect the entire developer fee from development sources through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$2,000,000 shall be given priority over Housing Commission residual receipt payments.
 - ii. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
 - c. Developer fee payments shall be paid out incrementally: because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.
15. **Due Diligence** - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review, and a relocation plan for the existing residential tenants in the existing buildings that will be renovated prior to commencement of rehabilitation of the Project.
16. **Environmental Requirements** - Currently HOME funds are **NOT** planned for this Project. Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). If HOME funds constitute a portion of the funding for the Project, and a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.
17. **Fees/Payments to Housing Commission** - Borrower will pay to the Housing Commission:
 - a. **Underwriting Fee** - a flat underwriting fee in the amount of **\$0** will be charged as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of the



- Project and is to be paid at close of escrow.
- b. Legal Fee - the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow.
 - c. Compliance Affordability Monitoring Fee - compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule. Current annual affordability monitoring are as follows: \$155 X 92 (Project units to be affordability monitored) = **\$14,260** per year. Additional training and assistance is currently at \$100 per hour.
 - d. Asset Management Fee - the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
 - e. Third-Party Construction Review - the Housing Commission requires a third-party review of the construction costs/budget to determine the reasonableness of rehabilitation costs. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$12,500** paid by the developer at close of escrow.
18. **Fees for Asset Management** (amounts not to exceed) -
- a. As detailed in paragraph 4 (above), the year 1 “Limited Partnership Fees” shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. “Limited Partnership Fees” include Asset management fees (19(d)) related to the investor and general partner’s management of the Project.
 - b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
 - c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission’s President and CEO or his designee.
19. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent’s \$5,240,000, will be provided for the Project in any Housing Commission’s future Notices of Funds Available.
20. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. Borrower should be familiar with the HOME programs rules and regulations, Federal Davis Bacon law and Section 3.



21. **HOME Investment Partnerships (HOME) Funds** - Currently there are **no** HOME funds planned for the Project. It is estimated that the Project will have zero (0) HOME restricted units. If the Housing Commission ultimately determines to fund the loan with HOME funds, the Housing Commission reserves the right to adjust the amount of HOME units as necessary.
22. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during rehabilitation) and, if required by the Housing Commission, floor and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.
23. **Loan Disbursement Schedule** - Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$5,240,000**) will be disbursed as follows:
- Up to 75 percent (**\$3,930,000**) at escrow closing.
 - Up to 15 percent (**\$786,000**) to be distributed at 50 percent completion of rehabilitation,
 - Up to 5 percent (**\$262,000**) to be withheld until final inspection approval and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$262,000**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission Loan disbursement schedule in their sole reasonable discretion.
- b. A portion of the HOME program funds must be withheld until final inspection approval and all unconditional lien releases are forwarded to the Housing Commission.
- c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.
24. **Loan Payments** – Annual hard payments will not be required. Annual residual receipts payments at 50 percent of cash flow is required.
- a. Starting at the end of the first year after Project completion, the Housing



Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1, in the year immediately following the calendar year in which rehabilitation is completed.

- b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.
- c. Funds will be applied first to pay down the accrued interest and the remaining amount shall pay down the principal of the Housing Commission Loan.

25. **Management of the Development -**

- a. **Management Plan** - Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, at its reasonable discretion.
- b. **Approval of Management Fee** - The Borrower's proposed property manager's fee must be approved by the Housing Commission.
- c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
- d. **Manager's Units** - Experienced on-site management is required. There shall be one manager's unit.
- e. **Marketing Plan** - to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.

26. **Maximum Resident Service Expenses & Case Management-**

- a. For the calculation of Housing Commission's residual receipts the attached pro forma's operating expense budget models maximum allowable resident supportive services expenses at \$61,750 per year (with a 2 percent annual escalator). The Borrower will provide a detailed breakout of these costs on an annual basis. Increasing this amount will require prior Housing Commission approval.

27. **Annual Budget Submittal** - Three months prior to the end of each calendar year, the Borrower shall submit an annual budget for Housing Commission review and prior approval.

28. **Permanent Supportive Housing** - The Project will have Project Based Vouchers (PBV) from the Housing Commission.

29. **Prevailing Wage** - The Project-Based Section 8 Voucher contract may trigger Federal Davis-Bacon prevailing wage rates. In the event Federal Davis-Bacon



prevailing wages are applicable, the Project shall comply with the Federal Davis-Bacon requirements.

30. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of rehabilitation, after which it will become non-recourse.
31. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
 - a. Replacement Reserve -The attached proforma models an annual replacement reserve at **\$46,000** (**\$500 per unit per year**).
 - b. Operating Reserve - The attached proforma models a capitalized operating reserve at **\$148,348** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission's loan.
 - c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the Project's operating reserve funds and/or from the Project's replacement reserve funds.
32. **Security** - The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
 - a. The deed of trust and security instruments securing the rehabilitation and permanent loan.
 - b. **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
 - c. **Cure Rights** - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
33. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to Project lease-



up.

34. **Title (ALTA Lender's Policy)** - The Borrower shall acquire, at its sole cost and expense, an ALTA Lender's Policy for the Commission Loan with endorsements acceptable to the Housing Commission.
35. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
36. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.
37. **Section 3** - Section 3 of the HUD Act of 1968 may be applicable to the Project. and Borrower should be familiar with all Section 3 requirements. In the event Section 3 is applicable, the Project shall comply with the Section 3 requirements.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by May 31, 2019, so that this letter of intent may be attached to the Housing Commission Board report.



SAN DIEGO
HOUSING
COMMISSION

letter of intent may be attached to the Housing Commission Board report.

ACKNOWLEDGED AND AGREED TO BY:
HDP QUALITY INN LLC

By: 

Print Name: Michael Parco

Title: Sup

Date: 5/31/19

San Diego Housing Commission

By: 

Print Name: Emily S. Jacobs

Title: Senior Vice President

Date: 5.31.19

Attachment: Exhibit A Developer's Pro forma

