



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: November 15, 2019

HCR19-090

SUBJECT: Final Bond Authorization for Mariner's Village

COUNCIL DISTRICT: 4

ORIGINATING DEPARTMENT: Real Estate Division

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

REQUESTED ACTION:

Authorize the issuance of Housing Authority of the City of San Diego Multifamily Housing Revenue Notes to fund the comprehensive rehabilitation of Mariner's Village, located at 6847 Potomac Street, San Diego, CA 92139, which will consist of 170 one-, two- and three-bedroom units that will remain affordable for 55 years and two unrestricted managers' units.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The Housing Commission purchased Mariner's Village in 2010. The property, originally constructed in 1987, consists of 12 residential buildings and one administrative building. The unit mix consists of 20 one-bedroom units, 108 two-bedroom units, 43 three-bedroom units, a three-bedroom manager's unit and a two-bedroom manager's unit.
- The developer is Housing Development Partners (HDP), the Housing Commission's nonprofit affiliate.
- The average gross incomes of all residents residing in rent-restricted apartments will not exceed 60 percent of San Diego Area Median Income (AMI). All residents occupying income-subsidized apartments will have incomes that do not exceed 80 percent of AMI.
- On November 30, 2018, the developer received Housing Commission approval to enter into a 65-year ground lease with the Housing Commission. The developer also received preliminary approval for the issuance of up to \$42,000,000 in tax-exempt Multifamily Housing Revenue Notes.
- The total development cost of the comprehensive rehabilitation is \$78,557,120.
- The total development cost per residential unit is \$456,727.
- The Housing Commission subsidy per unit is \$0.
- Staff requests the Housing Commission Board recommend that the Housing Authority authorize the issuance of up to \$42,000,000 in tax-exempt Multifamily Housing Revenue Notes to facilitate the rehabilitation of Mariner's Village and hold a Tax Equity and Fiscal Responsibility Act public hearing.
- Staff also recommends authorization to deviate from Section 4.4 of the Housing Commission Bond Policy PO300.301.
- If approved, the developer estimates commencing construction in December 2019 and completing construction by March 2021.

REPORT

DATE ISSUED: November 7, 2019

REPORT NO: HCR19-090

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 15, 2019

SUBJECT: Final Bond Authorization for Mariner's Village

COUNCIL DISTRICT: 4

REQUESTED ACTIONS

Authorize the issuance of Housing Authority of the City of San Diego Multifamily Housing Revenue Notes to fund the comprehensive rehabilitation of Mariner's Village, located at 6847 Potomac Street, San Diego, CA 92139, which will consist of 170 units that will remain affordable for 55 years and two unrestricted managers' units.

Authorize the Executive Vice President & Chief of Staff, or designee, to approve a permitted deviation from Section 4.4 of the SDHC Bond Policy PO300.301 allowing Citibank the ability to transfer the Notes to a trust or custodial arrangement established by Citibank, an affiliate or a governmental entity, the beneficial interest in which will be owned by a qualified institutional buyer or rated in the "BBB" category by a nationally recognized rating agency. Citibank will require the ability to transfer the Notes without obtaining a similar set of representations required at initial purchase and without regard to minimum denominations.

STAFF RECOMMENDATIONS

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) and the San Diego City Council (City Council) take the following actions:

Housing Authority:

- 1) Authorize the issuance of up to \$42,000,000 in Multifamily Housing Revenue Notes to facilitate HDP Mariner's Village, LP's comprehensive rehabilitation of Mariner's Village, located at 6847 Potomac Street, San Diego, CA 92139, which will consist of 170 units that will remain affordable for 55 years and two unrestricted managers' units;
- 2) Authorize the Housing Commission to enter into a long-term (65-year) Ground Lease between Housing Development Partners (HDP), or HDP Mariner's Village, LP of which HDP is the managing member (Designee) and the Housing Commission, as well as a Purchase and Sale Agreement for all of the improvements located on the Property, which is the subject of the Ground Lease, which taken together will result in the transfer of the Mariner's Village, on the terms and conditions described in this report, as approved by General Counsel of the Housing Commission, provided that the leasehold value and the purchase and sale price for the improvements together, are fair and reasonable and represents the fair market value for the acquisition of the ground lease and for the purchase of the improvements located on the property, in accordance with the terms of the Housing Commission's Disposition Policy;

- 3) Authorize the Executive Vice President & Chief of Staff (Executive Vice President), or designee, to approve a deviation from Section 4.4 of the Housing Commission Bond Policy PO300.301, allowing Citibank the ability to transfer the Notes to a trust or custodial arrangement established by Citibank, an affiliate or a governmental entity, the beneficial interest in which will be owned by a qualified institutional buyer or rated in the "BBB" category by a nationally recognized rating agency. Citibank will require the ability to transfer the Notes without obtaining a similar set of representations required at initial purchase and without regard to minimum denominations; and
- 4) Authorize the Executive Vice President, or designee, to execute any and all other documents and instruments that are necessary and/or appropriate to implement the contemplated transaction, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement the contemplated transaction upon the advice of General Counsel.

City Council:

Hold a Tax Equity Fiscal Responsibility Act (TEFRA) hearing and adopt a resolution approving the final issuance of Multifamily Housing Revenue Bonds for Mariner's Village.

SUMMARY

Background

The Housing Commission purchased Mariner's Village in 2010 through an innovative Finance Plan that leveraged the equity of former public housing units for which the U.S. Department of Housing and Urban Development (HUD) transferred full ownership and operating authority to the Housing Commission in what was the largest public housing conversion at the time. Path of travel and Americans with Disabilities Act upgrades were completed in 2012; however, the property has not received comprehensive capital improvements since its construction in the mid-1980s. Throughout its history, the property has not received financing through the use of the Low Income Housing Tax Credit. It is necessary for tax credit purposes that HDP or its designee is the owner of the improvements. To secure the necessary funds to complete the comprehensive rehabilitation of Mariner's Village, Housing Commission staff propose to ground lease the improvements to the Housing Commission's nonprofit affiliate, Housing Development Partners (HDP). HDP will secure construction and permanent loan financing from Citibank and tax credit equity from Boston Capital to cover the hard and soft costs of the rehabilitation.

On November 30, 2018, and on December 3, 2018, the Housing Commission (HCR18-100) and the Housing Authority (HAR18-031) respectively, approved taking certain preliminary steps to authorize the issuance of up to \$42,000,000 of tax-exempt Multifamily Housing Revenue Bonds (bonds) to finance the comprehensive rehabilitation of Mariner's Village. In connection with such preliminary steps, a duly-noticed TEFRA hearing was held on December 3, 2018. On October 16, 2019, the California Debt Limit Allocation Committee (CDLAC) approved a \$42,000,000 bond allocation, and the California Tax Credit Allocation Committee (CTCAC) approved a non-competitive 4 percent tax credits allocation. The Housing Commission was authorized to enter into an Option to Ground Lease Agreement between Housing Development Partners (HDP), or a to-be-formed entity of which HDP is the managing member (Designee), and the Housing Commission for the transfer of the Mariner's Village, a 172-unit existing development, located at 6847 Potomac Street, San Diego 92139, on the terms and conditions described in that report, as approved by General Counsel of the Housing Commission, provided that the leasehold value to the Housing Commission is fair and reasonable and is a fair market place lease.

Development Summary is included as Attachment 1.

Table 1 –Development Details

Address	6847 Potomac Street, San Diego, CA 92139
Council District	4
Community Plan Area	Skyline / Paradise Hills
Developers	Housing Development Partners
Development Type	Rehabilitation
Construction Type	Wood frame type V, garden style walk up
Parking Type	265 reserved parking spaces including 96 garages rented to residents per a wait list.
Housing Type (Affordable Units)	170 apartments at or below 80% AMI with the target of 60% AMI as average of all residents (income averaging).
Lot Size	9.46 acres
Units	172 (includes 2 staff apartments)
Density	18.18 apartments / acre
Unit Mix	20 1-bedroom 108 2-bedroom 44 3-bedroom
Gross Building Area	171,896 square feet
Net Rentable Area	147,743 square feet

The Development

Mariner's Village is a 172-unit building constructed in 1987, located at 6847 Potomac Street, (southeast corner of Potomac Street and Paradise Valley Road). The Housing Commission acquired Mariner's Village on October 27, 2010. Previous improvements include Americans with Disabilities Act and path-of-travel upgrades in 2012. The property requires a full, comprehensive rehabilitation of both exterior and interior components. Exterior improvements will include painting, flat work, parking lot, roofs, balconies, and garages. Interior improvements will include cabinets and countertops, flooring, and interior painting.

In October 2018, the California Debt Limit Allocation Committee (CDLAC) re-drew the geographic boundaries of their "Difficult to Develop Area (DDA)" designations, which provides projects with a 130 percent boost to eligible basis. Although Mariner's Village was eligible for this boost under the original DDA, the re-drawing of boundaries taking effect on January 1, 2019, would have removed the property geographically from the DDA, thereby making the development ineligible for the basis boost. Prior to this change, however, CDLAC allowed for submittal of applications for tax-exempt bonds by December 14, 2018, for properties that were previously eligible, but would fall outside of the new DDA boundaries, in order to preserve their 130 percent basis boost. Preserving this designation results in the project having the ability to generate more Low-Income Housing Tax Credit equity, eliminating the need for other soft funding sources. CDLAC will allow 18 months to secure a tax-exempt bond allocation. Further, the bonds must be issued, or the project must be placed in service within 730 days from the date the complete application is submitted.

Mariner's Village is a 9.46-acre property, composed of 12 two-story buildings with the following site amenities: a laundry room, leasing office, community pool, and 265 parking spaces, of which 96 are spaces

provided in enclosed garages. Bus service is available nearby on South Woodman Street. Adjacent to the north is Bethune Elementary School, to the south is additional multifamily residential, a shopping plaza and multifamily residential are to the east, and Paradise Hills Skate Park and the Paradise Hills Recreation Center lies on the west.

Project Sustainability

Mariner's Village Apartments will comply with the California Tax Credit Allocation Committee's (TCAC) minimum energy efficiency standards.

Ground Lease

Mariner's Village is presently owned by the Housing Commission. For tax credit purposes, it is necessary that HDP is the owner of the improvements. For this reason, and for federal income tax purposes, it is anticipated that the transaction will be structured as a ground lease of the land and a sale of the improvements to HDP. Thus, the Housing Commission proposes to enter into a long-term (65-year) Ground Lease between HDP, or a to-be-formed entity of which HDP is the managing member (Designee) (HDP Mariner's Village, LP), and the Housing Commission, as well as a Purchase and Sale Agreement for all of the improvements located on the Property, which is the subject of the Ground Lease, which taken together will result in the transfer of the Mariner's Village. HDP will be responsible for the refinancing and renovation of Mariner's Village. Any portion of the transaction which is structured as a sale of the improvements will be paid via a seller carryback note to the Housing Commission. Payments on the ground lease and seller carryback note will be via a combined ground lease and seller carryback note payment in an amount equal to the lesser of 9 percent of gross income annually or 100 percent of residual receipts. The ground lease will contain an option to allow the Housing Commission to re-acquire the fee interest in the property and the improvements at any time after year 15 of the lease for an amount equal to assumption of the then existing debt and payment of the tax credit investor's taxes generated by exercise of the option.

COMPLIANCE WITH APPLICABLE PROVISIONS OF HOUSING COMMISSION POLICY NO. RED-300.104.

1. Section 3.3(a)(1). Advance notice of this action has been given to each member of the Housing Authority at least seven days in advance of the Housing Commission Board meeting.
2. Section 3.3(a)(1). A public hearing satisfying the provisions of Health and Safety Code Section 34312.3 will be accomplished at the Housing Commission Board meeting.
3. Section 3.3(a)(2). The disposition of the property through a ground lease to allow for the refurbishment of the property is in the best interests of the Housing Commission and the residents of the property.
4. Section 3.3(b)(4). An appraisal has been acquired. The transaction will not move forward if the appraisal determines that the ground rent is not appropriately set to assure the Housing Commission will receive market-rate rents for the Mariner's Village affordable housing project, as restricted. The Housing Commission will receive a combined ground lease and seller carryback note payment from HDP Mariner's Village, LP, in an amount equal to the lesser of 9 percent of gross income annually or 100 percent of residual receipts.
5. Section 3.6. This transaction complies with all applicable conflict of interest provisions. See Conflict Disclosure below. Specifically, the Executive Vice President & Chief of Staff of the Housing Commission will represent the Housing Commission in this transaction.
6. Section 3.8. The proposed ground lease structure has been reviewed and analyzed by the following professionals and has been determined to have been structured to minimize any adverse financial burden to

the extent possible. Housing Commission staff have reviewed Section 3.8 of the Policy with each of the professionals listed below to confirm that they are in compliance. Each consultant has stated that in their professional opinion, they have completed an appropriate analysis of the transaction. The transaction has been structured to minimize any financial burden as it relates to the Housing Commission. The following professionals and consultants have assisted in the structuring of the transaction to comply with the provisions of Section 3.8 of the Policy:

- a. Attorneys: The Ground Lease with an option to reacquire the asset after year 15 or upon default by the Ground Lessee protects the interests of the Housing Commission. In addition, the ground rent is commercially reasonable for affordable housing projects.
- b. Financial Advisor: A financial advisor has completed an appropriate analysis of the transaction to determine that the transaction does not pose any unnecessary financial burden to the Housing Commission.
- c. Relocation consultant: HDP or its Designee will comply with all applicable relocation laws, and a competent relocation specialist has been retained.
- d. Real Estate Appraiser: The property has been appraised. The transaction will not move forward if the appraisal determines that the ground rent is not appropriately set to assure the Housing Commission will receive market-rate rents for the Mariner's Village affordable housing project, as restricted.

7. Section 3.8. The transaction has been structured to allow for appropriate remedies upon default by the ground lessee and, in addition, the reversion of the asset to the Housing Commission upon the termination of the lease. The ground lease will provide for an option for the Housing Commission to reacquire the asset at any time after the first 15 years of the ground lease, at its sole option.

8. Section 3.8. Appropriate affordability terms will be incorporated into the Ground Lease, with all units being occupied by and affordable to households earning 80 percent or less of San Diego's Area Median Income.

Relocation

The relocation plan has been received from the relocation consultant. In the event that it is determined that a household has income in excess of 140 percent of the San Diego Area Median Income level, that household will pay market rents. No permanent relocation is anticipated.

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 staff and the project architect will work to obtain a waiver from TCAC.

Development Team

HDP is a California 501(c)(3) nonprofit public benefit corporation that was incorporated in April 1990. HDP is a nonprofit affiliate of the Housing Commission, but 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. 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 Mariner's Village rehabilitation.

Property Management

Mariner's Village is currently managed by Housing Commission Property Management staff. Property Management staff has substantial experience as a manager of affordable housing, including properties with multilayer affordable housing funding restrictions, including tax-exempt bond financing and tax credits. ConAm will assume property management responsibilities when HDP acquires ownership of the improvements.

Table 2 – Development Team Summary

Role	Firm
Owner	SDHC
Leasehold	HDP Mariner's Village, LP
Managing Partner	HDP Mariner's Village Management, LLC
Tax Credit Investor	Boston Capital
Architect	Basis Architecture
Civil Engineer	Kettler Leweck
General Contractor	To be determined
Property Manager	ConAm
Relocation Consultant	CPSI
Construction Lender	Citibank
Term Lender	Citibank

FINANCING STRUCTURE

Permanent Sources and Uses of Financing

Mariner's Village has an estimated total development cost of \$78,557,120. Financing will include a combination of tax-exempt Multifamily Housing Revenue Notes, federal 4 percent tax credits, a permanent mortgage, deferred Developer Fee and a Seller CarryBack Note.

No new Housing Commission loan proceeds will be provided to this development. Estimated sources and uses of financing are provided in Table 3. The developer's project pro forma is provided as Attachment 4.

Table 3 – Mariner's Village Estimated Permanent Sources and Uses

Sources of Financing	Amounts	Uses of Financing	Amounts	Per Unit
Permanent loan (multifamily mortgage revenue bonds)	17,200,000	Acquisition	46,800,000	272,093
Seller Note	29,800,000	Land	0	0
4% Tax Credit Equity	24,824,860	Hard Costs	15,013,020	87,285
Deferred Developer Fee	6,732,260	Soft Costs	3,391,591	19,719
		Financing	2,044,769	11,888
		Bonds and Tax Credit Costs	476,545	2,771
		Reserves	965,799	5,774
		Developer Fee	9,865,396	57,357
Total Development Costs	78,557,120	Total Development Costs	78,557,120	456,727

Developer Fee

\$ 9,865,396 – gross developer fee
- 6,732,260 – deferred developer fee
\$ 3,133,136 – net cash developer fee

The net cash developer fee shall be \$3,133,136 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee.

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 bond issuances. Attachment 1 to that report stated: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” The developer’s proposed developer fee complies with HAR17-011. The proposed fee is in conformance with the “Request for Approval of Updated Developer Fees” guidelines approved by the Housing Authority on April 25, 2017.

Prevailing Wages

Prevailing wages will be paid for this project. Issuance of the bonds does not require the payment of state or federal prevailing wages. However, other sources of funds used to finance the construction require the payment of prevailing wages.

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	\$78,557,120 / 172 units	\$456,727
Acquisition Cost per Unit	\$46,800,000 / 172 units	\$272,093
Gross Building SF Hard Cost	\$15,013,020 / 171,896 SF	\$87
Net Rentable SF Hard Cost	\$15,013,020 / 147,743 SF	\$102

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 Costs	Cost Per Unit	HC Subsidy per Unit	Gross Hard Cost per SF
Mariner's Village	2019	V	172	\$78,557,120	\$456,727	\$0	\$87
Vista Terrace Hills	2016	V	262	\$114,207,265	\$435,906	\$0	\$70
Coronado Terrace	2017	V	312	\$125,721,978	\$402,952	\$0	\$85

AFFORDABLE HOUSING IMPACT

Under the proposed note issuance, the development will be subject to applicable tax credit and bond regulatory agreements that will restrict the affordability of 170 units for 55 years. The project's 170 units will be affordable to tenants with income levels averaging 60 percent of Area Median Income (AMI), \$63,130/year for a four-person household. Rents will range from 40 percent to 80 percent of Area Median Income.

Table 6 – Mariner's Village Affordability and Monthly Estimated Rent Table

Affordability Mix	Units	Proposed Rent*	Market Rent
One bedroom 40% AMI	8	\$730	\$1,400
One bedroom 60% AMI	8	\$1,095	\$1,400
One bedroom 80% AMI	4	\$1,242	\$1,400
Two bedroom 40% AMI	33	\$876	\$1,400
Two bedroom 60% AMI	44	\$1,314	\$1,816
Two bedroom 80% AMI	30	\$1,502	\$1,816
Three bedroom 40% AMI	13	\$1,012	\$2,612
Three bedroom 60% AMI	20	\$1,518	\$2,612
Three bedroom 80% AMI	10	\$1,762	\$2,612
Two and Three bedroom manager's units	2	--	--
Combined Total Units	172		

*Rents will comply with the CTCAC income averaging rent methodology. Maximum average rent will be at 60% AMI.

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTES

Proposed Housing Revenue Notes

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 tax-exempt bonds or notes for a development, the Housing Authority must first submit an application to CDLAC for a private activity 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 TEFRA resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds or notes. The developer has submitted a private bond allocation application to CDLAC for that agency's October 16, 2019 meeting, and has received a CDLAC bond allocation of up to \$42,000,000. The developer proposes to issue the notes in two series through a tax-exempt private placement issuance in an aggregate amount not to exceed \$42,000,000. The Series 2019F-1 Note will be for construction and permanent financing; the Series 2019F-2 Note will be construction only financing and will be repaid at the end of the rehabilitation period. The notes 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 up to \$42,000,000 bond is the amount for which the development is being underwritten. The developer proposes that the note proceeds will be used for acquisition, rehabilitation and permanent financing. The Housing Commission staff is now returning to both the Housing Commission Board and Housing Authority for the final authorization. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 5. Squire Patton Boggs is the bond counsel and Ross Financial is the bond financial advisor. These proposed financing team members have been selected in accordance with the existing policy for the bonds issuance. Bond counsels and bond financial advisors are designated on a rotating basis from firms selected under the program through a competitive Request for Proposal process.

Public Disclosure on Bond Authorization

The tax-exempt debt, in the form of the bonds/note (Note), will be sold through a private placement purchased directly by Citibank, N.A. Citibank is a "qualified institutional buyer" within the meaning of the U.S. securities laws.

Under the private placement structure for this transaction, Citibank will make a loan to the Housing Authority pursuant to the terms of the Funding Loan Agreement among Citibank, the Housing Authority and a to-be-selected Fiscal Agent. The Loan made by Citibank to the Housing Authority (Funding Loan) will be evidenced by the Notes, which will obligate the Housing Authority to pay Citibank the amount 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 to make payments on the Notes. The Housing Authority's obligation to make payments on the Notes is limited to the 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 Notes.

The transfer of the Notes to any subsequent purchaser will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bond holder would be required to represent to the Housing

Authority that it is a qualified institutional buyer or accredited investor who is buying the Bonds for investment purposes and not for resale, and has made due investigation of any material information necessary in connection with the purchase of the Notes. The following documents will be executed on behalf of the Housing Authority with respect to the Notes: Funding Loan Agreement, Borrower Loan Agreement, 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 Notes will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citibank will disburse Bond 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 the repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan agreement to Citibank. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws.

As noted, a duly noticed TEFRA hearing was held on December 3, 2018 before the City Council before its preliminary approval of tax-exempt obligations for the project. The validity of the TEFRA hearing expires after one year. Accordingly, in connection with the Housing Authority's approval of the Notes, the City Council will need to hold another TEFRA hearing with respect to the project and financing.

Financial Advisor's Recommendations

Squire Patton Boggs is the bond counsel and Ross Financial is the Financial Advisor for the Notes. 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 proceed with the note issuance. The financial advisor's analysis and recommendation is included as Attachment 6.

FISCAL CONSIDERATIONS

If notes are ultimately issued for the project, the notes will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the notes will be limited to the Borrower's payments under the Borrower Loan Agreement. 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 notes. 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 \$105,000 with a \$42,000,000 bond issue) and the Housing Commission's annual administrative fee to be determined based on the outstanding bonds amount at permanent financing conversion.

Funding Sources approved by this action will be as follows:

Bond Issuance Fees - \$105,000 (.0025 bond issuer fee x \$42,000,000)

Funding uses approved by this action will be as follows:

Administrative costs - \$105,000

Development Schedule

The estimated development timeline is as follows:

Milestone	Estimated Dates
Housing Authority for preliminary approval	December 3, 2018
City Council – IRS required TEFRA hearing	December 10, 2018
CDLAC DDA application	December 14, 2018
CDLAC bond allocation application	May 2019
CTCAC 4% tax credit application	May 2019
CDLAC allocation meeting	October 16 2019
CTCAC allocation meeting	October 16, 2019
Housing Commission final bond allocation	November 15, 2019
Housing Authority final bond allocation and TEFRA hearing	December 10, 2019
Bond issuance and escrow closing	December 2019
Start of construction work	December 2019
Completion of construction work	December 2020

PREVIOUS ACTIONS

On August 6, 2010, the Housing Commission Board approved the acquisition of Mariner's Village Apartments (Report HCR10-104).

On March 18, 2011, the Housing Commission Board approved an encroachment settlement agreement for 0.14-acre land encroachment (HCR11-040).

On September 16, 2011, the Housing Commission Board approved accessibility upgrades to the project (HCR11-084).

On November 30, 2018, the San Diego Housing Commission approved the preliminary bond authorization.

On December 3, 2018, Housing Authority approved the preliminary bond authorization.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders for this project include the residents of Mariner's Village, HDP as developer, the residents of the Skyline/Paradise Hills neighborhood, and the Housing Commission as the property owner. The property rehabilitation is expected to have a positive impact on the community because it will extend existing affordable housing restrictions for low-income families.

ENVIRONMENTAL REVIEW

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 and 15302 of the State CEQA Guidelines because the project is an existing facility and the proposed actions involved replacement or reconstruction. Processing under the National Environmental Policy Act (NEPA) is not required as there are no Federal Funds involved with this action.

HOUSING DEVELOPMENT PARTNERS CONFLICT DISCLOSURE STATEMENT

Housing Development Partners' Board of Directors includes the President and CEO of the Housing Commission, Commissioner Stefanie Benvenuto and community members. The current HDP Board

consists of four members. Commissioner Benvenuto 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 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 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 a member of the Board of Commissioners of the Housing Commission, Ms. Benvenuto is 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. This disclosure shall be and is hereby documented in the official records of the Housing Commission.

Respectfully submitted,



Colin Miller
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,



Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments: 1) Development Summary
 2) Site Map
 3) Developer Disclosure Statement
 4) Developer's Project Pro forma
 5) Multifamily Housing Revenue Bond Program
 6) Financial Advisor's Recommendation

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

Table 1 - Development Details

Address	6847 Potomac Street, San Diego, CA 92139
Council District	4
Community Plan Area	Skyline / Paradise Hills
Developers	Housing Development Partners
Development Type	Rehabilitation
Construction Type	Wood frame type V, garden style walk up
Parking Type	265 reserved parking spaces including 96 garages rented to residents per a wait list.
Housing Type (Affordable Units)	170 apartments at or below 80% AMI with the target of 60% AMI as average of all residents (income averaging).
Lot Size	9.46 acres
Units	172 (includes 2 staff apartments)
Density	18.18 apartments / acre
Unit Mix	20 1-bedroom 108 2-bedroom 44 3-bedroom
Gross Building Area	171,896 square feet
Net Rentable Area	147,743 square feet

Table 2 - Development Team Summary

Role	Firm
Owner	SDHC
Leasehold	HDP Mariner's Village, LP
Managing Partner	HDP Mariner's Village Management, LLC
Tax Credit Investor	Boston Capital
Architect	Basis Architecture
Civil Engineer	Kettler Leweck
General Contractor	To be determined
Property Manager	ConAm
Relocation Consultant	CPSI
Construction Lender	Citibank
Term Lender	Citibank

Table 3 - Permanent Sources & Uses

Sources of Financing	Amounts	Uses of Financing	Amounts	Per Unit
Permanent loan (multifamily mortgage revenue bonds)	17,200,000	Acquisition	46,800,000	272,093
Seller Note	29,800,000	Land	0	0
4% Tax Credit Equity	24,824,860	Hard Costs	15,013,020	87,285
Deferred Developer Fee	6,732,260	Soft Costs	3,391,591	19,719
		Financing	2,044,769	11,888
		Bonds and Tax Credit Costs	476,545	2,771
		Reserves	965,799	5,774
		Developer Fee	9,865,396	57,357
Total Development Costs	78,557,120	Total Development Costs	78,557,120	456,727

Table 4 – Performance Indicators

Development Cost per Unit	\$78,557,120 / 172 units	\$456,727
Acquisition Cost per Unit	\$46,800,000 / 172 units	\$272,093
Gross Building SF Hard Cost	\$15,013,020 / 171,896 SF	\$87
Net Rentable SF Hard Cost	\$15,013,020 / 147,743 SF	\$102

Table 5 - Project Cost Comparison Chart

Project Name	Year	Construction Type	Units	Total Development Costs	Cost Per Unit	HC Subsidy per Unit	Gross Hard Cost per SF
Mariner's Village	2019	V	172	\$78,557,120	\$456,727	\$0	\$87
Vista Terrace Hills	2016	V	262	\$114,207,265	\$435,906	\$0	\$70
Coronado Terrace	2017	V	312	\$125,721,978	\$402,952	\$0	\$85

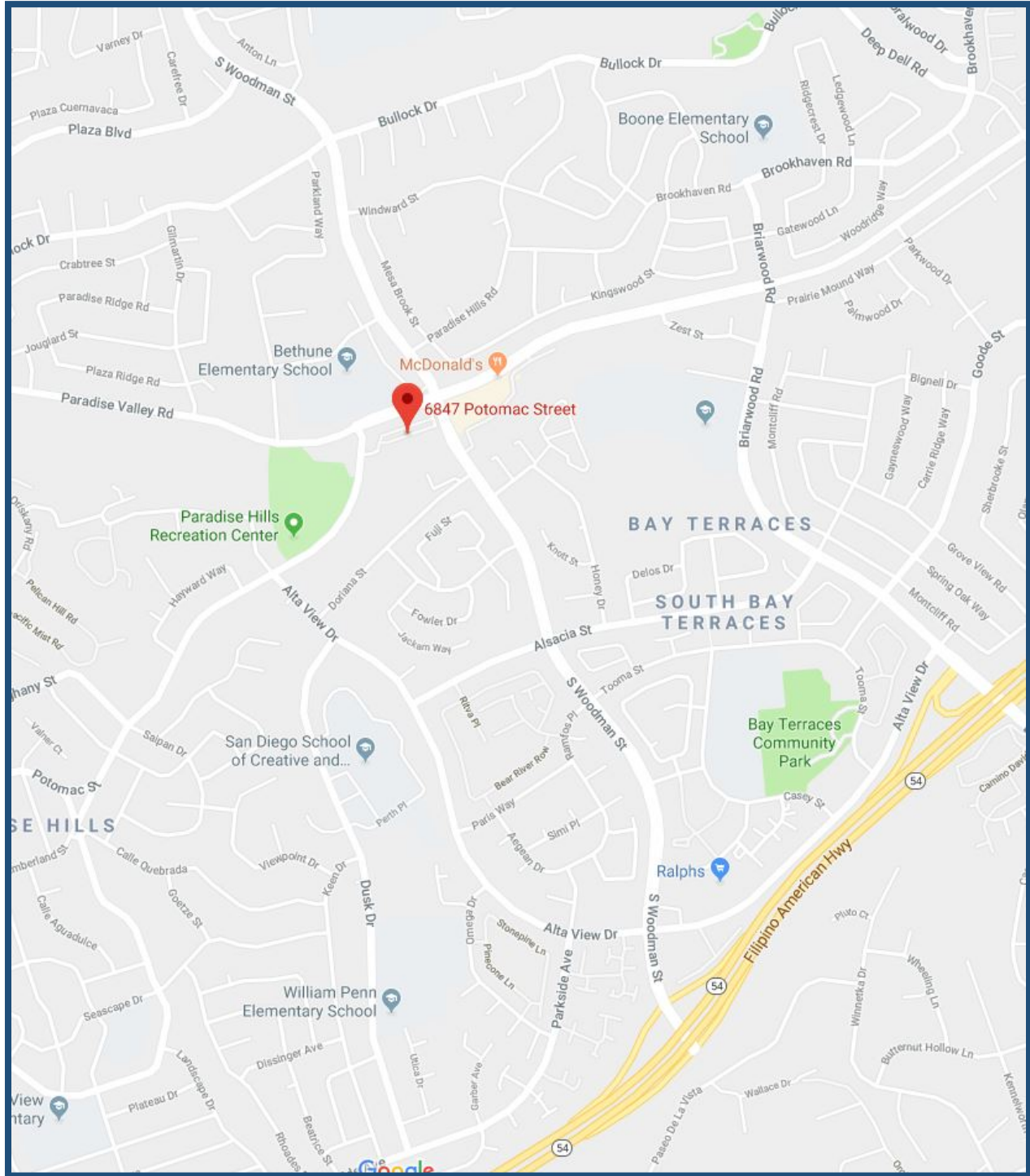
Table 6 - Proposed Rents

Affordability Mix	Units	Proposed Rent*	Market Rent
One bedroom 40% AMI	8	\$730	\$1,400
One bedroom 60% AMI	8	\$1,095	\$1,400
One bedroom 80% AMI	4	\$1,242	\$1,400
Two bedroom 40% AMI	33	\$876	\$1,400
Two bedroom 60% AMI	44	\$1,314	\$1,816
Two bedroom 80% AMI	30	\$1,502	\$1,816
Three bedroom 40% AMI	13	\$1,012	\$2,612
Three bedroom 60% AMI	20	\$1,518	\$2,612
Three bedroom 80% AMI	10	\$1,762	\$2,612
Two and Three bedroom manager's units	2	--	--
Combined Total Units	172		

*Rents will comply with the TCAC income averaging rent methodology. Maximum average rent will be at 60% AMI

Attachment 2

Site Map





**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: 619-578-7423
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)

(x) 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% 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%.

<u>Name, Address and Zip Code</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
Richard C. Gentry 619-578-7532	President & CEO 0%
Gary Gramling 760-455-4978	HDP Vice Chair & Audit Committee Member 0%
Stephanie Benvenuto 714-336-6536	HDP Board Secretary 0%
Roberta Spoon 619-234-4173	HDP Board Member & Audit Committee Member 0%
Tim Walsh 619-305-3261	HDP Board Member 0%

(Attach extra sheet if necessary)

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. New board members, Tim Walsh and Stefanie Benvenuto due to term limits
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):

Name, Address and
Zip Code _____

Position Title (if any) and
extent of interest _____

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:

Senior VP: Michael C. Pavco	701 B Street Suite 530, San Diego, CA 92101
Director: Pari Ryan	701 B Street Suite 530, 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.

Affiliate through shared board members, Gentry, Gramling, Spoon, Walsh and Benvenuto.

Address: San Diego Housing Commission
1122 Broadway Suite 500, 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. In Bank/Savings and Loans

US Bank

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 & Zip Code of Bank/Savings & Loan:

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:

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
--------------	------------------------	-----------------------	-------------------	-------------------

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:

- 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:

- 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.

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

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

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:

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:

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:

Government Entity
Making Complaint

Date

Resolution

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: No

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:

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

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.

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>	Entity Involved (i.e., CITY <u>COMMISSION, etc.</u>)	Status (Current, delinquent <u>repaid, etc.</u>)	Dollar <u>Amount</u>
-------------	---	---	-------------------------

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:

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:

38. List three local references who would be familiar with your previous construction project:

Name: San Diego Housing Commission

Address: 1122 Broadway Suite 300, San Diego, CA 92101

Phone: _____

Project Name and Description:

San Diego Square- acquisition and substantial renovation of 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 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.

40. Give the name and experience of the proposed Construction Superintendent.
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 13th day of November, 2018, at San Diego, California.

CONTRACTOR

By:


Signature

SLP
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

Title: Senior Vice President

Dated: November, 2018

By: 

Title: SVF

Dated: 11/13/18

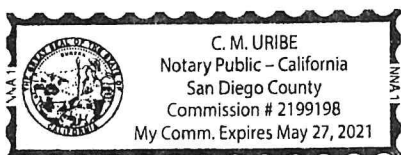
WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not 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 13 day of November, 2018.



SEAL


Signature of Notary

C.M. Uribe, Notary Public
Name of Notary

Attachment 4 - Projected Sources and Uses Proforma

Tax Credit Assumptions

Mariner's Village

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS

GENERAL PROJECT INFORMATION		BUILDING AREA				
Project Name	Mariner's Village	Residential Rentable SF				sf
Purchase Price		Common Areas		20%	of Res sf	sf
Project Address	6847 Potomac St, San Diego, CA 92139	Subtotal Residential SF				sf
Year Built	1989	Commercial / Retail / Office Rentable SF				sf
Site Acreage		Common Areas				sf
Total Units	172	Subtotal Commercial SF				sf
MSA	San Diego County	Parking Structure	0 Spaces	@	390	sf per space
Area Media Income	\$49,623	On Grade Parking	0 Spaces	@	300	sf per space
Project Type	Tax Credit	Subtotal Parking SF				sf
Prospected Owner Entity		Approximate Gross Building Area				sf

Land Lease Payment (SDHC)	\$1,329	\$228,585
Total Operating Expenses	\$7,623	\$1,311,090
Reserves Deposits		
Replacement Reserve Deposit	\$350	\$60,200
Other Reserve Deposit	\$0	\$0
Total Reserve Deposits	\$350	\$60,200
Total Expenses plus Reserves	\$7,973	\$1,371,290

Housing Authority/TEFRA	
CDLAC Application Date	
TCAC Application Date	
CDLAC Allocation Date	
TCAC Allocation Date	
Closing Date	10/30/19

Construction Milestones	Month	Date
Construction Start	0	10/31/19
25% Completion	4	2/29/20
50% Completion	7	5/31/20
75% Completion	10	8/31/20
100% Completion	13	11/30/20
Conversion/8609s	16	2/28/21

Ground Lease (% of EGI) Years 18-55	4.50%
Other	

LP Share of Credits	
LP Share of Tax Credits	99.99%
Percent of Cash Flow	100.0%

50% Test	
Eligible Basis + Land	\$75,634,702
Amount Financed By Bonds	\$40,000,000
Percent of Financed by Bonds	52.89%

SECTION 6: FINANCING SOURCE ASSUMPTIONS

PERM LOAN	
DSCR	1.20
Amort (Years)	30
All-in Rate	3.91%
Annual PMT	973,786
Perm Loan Amt	\$17,194,200

CONSTRUCTION LOAN	
AMT	\$40,000,000
Term (months)	21
Rate	4.00%

DEV FEE CONTRIBUTION (PERM)	
Principal	\$0
Interest (Simple)	3.00%
Term	55
Annual Payment	Residual Rec.

LIHTC EQUITY	
DDA/QCT	Yes
AFR	3.17%
Credit Pricing	\$1,000
Investor Share of Credits	99.99%

SELLER LOAN (SOFT)	
Principal	\$29,800,000
Interest (Simple)	3.50%
Term	55
Annual Payment	

ACQUIRED RESERVES	
Existing Reserves	\$0

LAND	
Land Value	\$0

LIHTC PAY-IN SCHEDULE		
Closing	10%	\$ 2,482,486
25% Completion	0%	-
50% Completion	0%	-
75% Completion	0%	-
100% Completion	0%	-
Conversion/8609	90%	\$ 22,342,374
Total Equity	100.00%	\$ 24,824,860

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit
Gross Rental Income	\$2,574,204	\$14,966
Other Income	\$99,305	\$577
(Less) Vacancy @ 5%	(\$133,675)	(\$777)
Effective Gross Income	\$2,539,834	\$14,766
Commercial Income	\$0	\$0
(Less) Vacancy @ 0%	\$0	\$0
Total Income	\$2,539,834	\$14,766
(Less) OpEx	(\$1,311,090)	(\$7,623)
(Less) RR Deposits	(\$60,200)	(\$350)
Net Operating Income	\$1,168,543	\$6,794
(Less) Debt Service	(973,786)	(\$5,662)
Net Cash Flow	\$194,757	\$1,132

Developer Fee Installments			
Closing	10/30/19	\$783,284	7.9%
25% Completion	2/29/20	\$0	0.0%
50% Completion	5/31/20	\$0	0.0%
75% Completion	8/31/20	\$783,284	7.9%
100% Completion	11/30/20	\$783,284	7.9%
8609s	2/28/21	\$783,284	7.9%
Deferred or Contributed	As Available	\$6,732,259	68.2%
Total Developer Fee		\$9,865,396	100%

Sources:	Total	Per Unit	% of Total
PERM LOAN	\$17,200,000	\$100,000	21.9%
LIHTC EQUITY	\$24,824,860	\$144,331	31.6%
SOFT LOAN #1		\$0	0.0%
SOFT LOAN #2		\$0	0.0%
OTHER	\$0	\$0	0.0%
SELLER NOTE (SOFT)	\$29,800,000	\$173,256	37.9%
DEFERRED DEVELOPER FEE	\$6,732,259	\$39,141	8.6%
GAP FUNDING REQUIRED	\$0	\$0	0.0%
Total Sources	\$78,557,119	\$456,727	100%
Uses:	Total	Per Unit	% of Total
BUILDING ACQUISITION	\$46,800,000	\$272,093	59.6%
LAND	\$0	\$0	0.0%
HARD COSTS	\$15,013,020	\$87,285	19.1%
PERMITS & FEES	\$112,598	\$655	0.1%
ARCHITECT & ENGINEERING	\$565,928	\$3,290	0.7%
THIRD PARTY REPORTS	\$56,100	\$326	0.1%
FINANCING	\$2,044,769	\$11,888	2.6%
RESERVES	\$965,799	\$5,615	1.2%
BOND AND TAX CREDIT	\$420,445	\$2,444	0.5%
OTHER SOFT COSTS	\$2,713,065	\$15,774	3.5%
DEVELOPER FEE	\$9,865,396	\$57,357	12.6%
Total Uses	\$78,557,119	\$456,727	100%

Development Costs - Tax Credit

Mariner's Village

TOTAL UNITS: 172

ACQUISITION & CLOSING COSTS

	Multiplier	Cost	Cost Driver	Total	Per Unit	% of TDC	% in Basis	Acq Basis	Rehab Basis	Non-Basis
1005 LAND	15.00%	\$0	Fixed (calc)	\$0	\$0	0.0%	0%			\$0
1010 BUILDINGS	85.00%	\$46,800,000	Fixed (calc)	\$46,800,000	\$272,093	59.6%	100%	\$46,800,000		\$0
1015 ESCROW DEPOSIT - Refundable			Total	\$0	\$0	0.0%	0%			\$0
1020 ESCROW DEPOSIT - NonRefundable			Total	\$0	\$0	0.0%	0%			\$0
1025 BROKER FEE/COMMISSION	0.00%	\$0	% of Acq. price	\$0	\$0	0.0%	0%			\$0
1030 OTHER ACQUISITION COSTS			Total	\$0	\$0	0.0%	0%	\$0		\$0
TOTAL ACQUISITION & CLOSING COSTS				\$46,800,000	\$272,093	59.6%		\$46,800,000	\$0	\$0

HARD COSTS

2030 REHABILITATION (RESIDENTIAL) Prevail. V	\$69,000	\$11,868,000	per unit	11,868,000	\$69,000	15.1%	100%		\$11,868,000	\$0
2045 GENERAL CONDITIONS/REQUIREMENTS	6.00%	\$712,080	% of hard costs	712,080	\$4,140	0.9%	100%		\$712,080	\$0
2050 GENERAL CONTRACTOR FEE (OH & P)	8.00%	\$949,440	% of hard costs	949,440	\$5,520	1.2%	100%		\$949,440	\$0
2055 BONDING & INSURANCE	1.00%	\$118,680	% of hard costs	118,680	\$690	0.2%	100%		\$118,680	\$0
HARD COST CONTINGENCY (CONTRACTOR)	0.00%	\$0	Total	-	\$0	0.0%	100%		\$0	\$0
2060 HARD COST CONTINGENCY (OWNER)	10.00%	\$1,364,820	% of contract	1,364,820	\$7,935	1.7%	100%		\$1,364,820	\$0
TOTAL HARD COSTS				\$15,013,020	\$87,285	19.1%		\$0	\$15,013,020	\$0

PERMITS & FEES

3030 MUNICIPAL	0.75%	\$112,598	% of hard costs	\$112,598	\$655	0.1%	100%		\$112,598	\$0
TOTAL PERMITS & FEES				\$112,598	\$655	0.14%		\$0	\$112,598	\$0

ARCHITECTURE & ENGINEERING

4005 ARCHITECT / ENGINEERING	4.00%	\$545,928	Fixed (calc)	\$545,928	\$3,174	0.7%	100%		\$545,928	\$0
4010 CIVIL ENGINEERING			Total	\$0	\$0	0.0%	100%		\$0	\$0
4030 OTHER CONSULTANTS-SPECIAL INSPECTIONS		\$20,000	Total	\$20,000	\$116	0.0%	100%		\$20,000	\$0
TOTAL ARCHITECTURE & ENGINEERING				\$565,928	\$3,290	0.72%		\$0	\$565,928	\$0

THIRD PARTY REPORTS

5005 APPRAISAL		\$8,000	Total	\$8,000	\$47	0.0%	100%		\$8,000	\$0
5010 MARKET STUDY		\$5,000	Total	\$5,000	\$29	0.0%	100%		\$5,000	\$0
5020 ENVIRONMENTAL (Ph1 & Ph2)		\$20,000	Total	\$20,000	\$116	0.0%	100%		\$20,000	\$0
5025 PHYSICAL NEEDS ASSESSMENT		\$8,000	Total	\$8,000	\$47	0.0%	100%		\$8,000	\$0
5040 REMEDIATION TESTING & CONSULTANT		\$5,000	Total	\$5,000	\$29	0.0%	100%		\$5,000	\$0
5040 OTHER TECHNICAL REPORTS		\$5,000	Total	\$5,000	\$29	0.0%	100%		\$5,000	\$0
8075 THIRD PARTY REPORT CONTINGENCY	10.00%	\$5,100	Total	\$5,100	\$30	0.0%	100%		\$5,100	\$0
TOTAL DILIGENCE COSTS				\$56,100	\$326	0.07%		\$0	\$56,100	\$0

FINANCING COSTS

6005 CONSTRUCTION LOAN ORIGATION FEE	0.75%	\$300,000	Total	\$300,000	\$1,744	0.4%	40%		\$120,000	\$180,000
6010 CONSTRUCTION LOAN LEGAL		\$65,000	Total	\$65,000	\$378	0.1%	40%		\$26,000	\$39,000
6015 CONSTR LENDER APPLICATION / DUE DILIGENCE		\$25,000	Total	\$25,000	\$145	0.0%	40%		\$10,000	\$15,000
6025 INTEREST DURING CONSTRUCTION	55.00%	\$1,539,769	Fixed (calc)	\$1,539,769	\$8,952	2.0%	40%		\$615,908	\$923,861
6105 PERM LOAN ORIGATION FEE	0.00%	\$0	Total	\$0	\$0	0.0%	50%		\$0	\$0

6115	PERM LOAN DUE DILIGENCE		\$30,000	Total	\$30,000	\$174	0.0%	0%		\$0	\$30,000
6130	PERM LOAN CONVERSION FEE		\$35,000	Total	\$35,000	\$203	0.0%	0%		\$0	\$35,000
6135	OTHER FINANCING		\$50,000	Total	\$50,000	\$291	0.1%	0%		\$0	\$50,000
TOTAL FINANCING COSTS					\$2,044,769	\$11,888	2.60%		\$0	\$771,908	\$1,272,861

RESERVES

7005	REPLACEMENT RESERVE - INITIAL DEPOSIT	\$1,000	\$172,000	per unit	\$172,000	\$1,000	0.2%				\$172,000
7010	OPERATING RESERVE	4 Months	\$793,799	Mo. of Opex/RR/DS	\$793,799	\$4,615	1.0%				\$793,799
TOTAL RESERVES					\$965,799	\$5,615	1.23%		\$0	\$0	\$965,799

BOND/TAX CREDIT RELATED COSTS

6305	TCAC RESERVATION FEE	1.00%	\$24,825	% of credit req	\$24,825	\$144	0.0%	0%			\$24,825
6310	TCAC APPLICATION FEES		\$1,000	Total	\$1,000	\$6	0.0%	0%			\$1,000
6326	CDLAC APPLICATION FEES		\$1,200	Total	\$1,200	\$7	0.0%	0%			\$1,200
6315	TCAC COMPLIANCE MONITORING FEE	\$410	\$70,520	per unit	\$70,520	\$410	0.1%	0%			\$70,520
6327	CDLAC ISSUANCE FEE (TE Construction Loan)	0.05%	\$20,000	% of loan amount	\$20,000	\$116	0.0%	0%		\$0	\$20,000
6328	CDIAC REPORTING FEE (TE Construction Loan)	0.0035%	\$1,400	% of loan amount	\$1,400	\$8	0.0%	0%		\$0	\$1,400
6330	ISSUER FEE (TE Construction Loan)	0.2500%	\$100,000	% of loan amount	\$100,000	\$581	0.1%	0%		\$0	\$100,000
6331	ISSUER FINANCIAL ANALYST		\$60,000	Total	\$60,000	\$349	0.1%	0%		\$0	\$60,000
6340	BOND COUNSEL and CITY LEGAL		\$90,500	Total	\$90,500	\$526	0.1%	0%		\$0	\$90,500
6125	OTHER FINANCING COSTS		\$51,000	Total	\$51,000	\$297	0.1%	0%		\$0	\$51,000
TOTAL BOND/TAX CREDIT RELATED COSTS					\$420,445	\$2,444	0.54%		\$0	\$0	\$420,445

	Multiplier	Cost	Cost Driver	Total	Per Unit	% of Total	% in Basis	Acq Basis	Rehab Basis	Non-Basis
OTHER SOFT COSTS										
8020	LEGAL - REAL ESTATE	\$100,000	Total	\$100,000	\$581	0.1%	100%		\$100,000	\$0
8005	LEGAL - PARTNERSHIP	\$75,000	Total	\$75,000	\$436	0.1%	0%		\$0	\$75,000
8035	ACCOUNTING/COST CERT	\$20,000	Total	\$20,000	\$116	0.0%	49%		\$9,760	\$10,240
8045	RELOCATION COSTS	\$10,000	per unit	\$1,720,000	\$10,000	2.2%	100%		\$1,720,000	\$0
8045	RELOCATION STUDY	\$40,000	Total	\$40,000	\$233	0.1%	100%		\$40,000	\$0
5035	ALTA SURVEY	\$20,000	Total	\$20,000	\$116	0.0%	100%		\$20,000	\$0
8055	PREPAID INSURANCE	\$35,000	Total	\$35,000	\$203	0.0%	100%		\$35,000	\$0
8060	TITLE/ESCROW/RECORDING	\$30,000	Total	\$30,000	\$174	0.0%	100%		\$30,000	\$0
8065	REAL ESTATE TAXES	\$35,000	Total	\$35,000	\$203	0.0%	100%		\$35,000	\$0
4025	CONSTRUCTION MANAGEMENT	\$194,922	Fixed (calc)	\$194,922	\$1,133	0.2%	100%		\$194,922	\$0
8084	ENERGY REPORT (TCAC)	\$15,000	Total	\$15,000	\$87	0.0%	100%		\$15,000	\$0
8085	BORROWER FINANCIAL ANALYST	\$100,000	Total	\$100,000	\$581	0.1%	0%		\$0	\$100,000
8030	FF&E - RESIDENTIAL	\$500	Total	\$86,000	\$500	0.1%	100%		\$86,000	\$0
8080	FF&E - COMMON AREA	\$500	Total	\$86,000	\$500	0.1%	100%		\$86,000	\$0
8075	SOFT COST CONTINGENCY	5.00%	% of soft costs	\$156,143	\$908	0.2%	50%		\$78,071	\$78,071
TOTAL OTHER SOFT COSTS				\$2,713,065	\$15,774	3.45%		\$0	\$2,449,753	\$263,311

DEVELOPER FEE

9005	DEVELOPER FEE ON ACQUISITION	\$7,020,000	of Elig. Acq. Cost	\$7,020,000	\$40,814	8.9%		\$7,020,000		\$0
9010	DEVELOPER FEE ON REHAB	\$2,845,396	of Elig. Rehab	\$2,845,396	\$16,543	3.6%			\$2,845,396	\$0
TOTAL DEVELOPER FEE					\$9,865,396	\$57,357	12.6%	\$7,020,000	\$2,845,396	\$0

GRAND TOTAL DEVELOPMENT COSTS

\$78,557,119	\$456,727	100%	\$53,820,000	\$21,814,702	\$2,922,417
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Mariner's Village

OPERATING BUDGET		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
GROSS RENTAL INCOME																					
	2.00%	2,574,204	2,625,688	2,678,202	2,731,766	2,786,401	2,842,129	2,898,972	2,956,951	3,016,090	3,076,412	3,137,940	3,200,699	3,264,713	3,330,007	3,396,608	3,464,540	3,533,830	3,604,507	3,676,597	3,750,129
	2.00%	99,305	101,291	103,317	105,383	107,491	109,641	111,834	114,070	116,352	118,679	121,052	123,473	125,943	128,462	131,031	133,651	136,324	139,051	141,832	144,669
(Less) Vacancy	5.00%	(133,675)	(136,349)	(139,076)	(141,857)	(144,695)	(147,588)	(150,540)	(153,551)	(156,622)	(159,755)	(162,950)	(166,209)	(169,533)	(172,923)	(176,382)	(179,910)	(183,508)	(187,178)	(190,921)	(194,740)
EFFECTIVE GROSS INCOME		2,539,834	2,590,630	2,642,443	2,695,292	2,749,198	2,804,181	2,860,265	2,917,470	2,975,820	3,035,336	3,096,043	3,157,964	3,221,123	3,285,546	3,351,256	3,418,282	3,486,647	3,556,380	3,627,508	3,700,058
Commercial Income (net vac.)	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL GROSS INCOME		2,539,834	2,590,630	2,642,443	2,695,292	2,749,198	2,804,181	2,860,265	2,917,470	2,975,820	3,035,336	3,096,043	3,157,964	3,221,123	3,285,546	3,351,256	3,418,282	3,486,647	3,556,380	3,627,508	3,700,058
OPERATING EXPENSES																					
Repairs and Maintenance	3.00%	266,019	274,000	282,220	290,686	299,407	308,389	317,641	327,170	336,985	347,095	357,508	368,233	379,280	390,658	402,378	414,449	426,883	439,689	452,880	466,466
Turnover Expense Vendors	3.00%	70,399	72,511	74,687	76,927	79,235	81,612	84,060	86,582	89,180	91,855	94,611	97,449	100,373	103,384	106,485	109,680	112,970	116,359	119,850	123,446
Utilities	3.00%	264,299	272,228	280,395	288,807	297,471	306,395	315,587	325,054	334,806	344,850	355,196	365,851	376,827	388,132	399,776	411,769	424,122	436,846	449,951	463,450
Management Fee	5.00%	126,992	129,532	132,122	134,765	137,460	140,209	143,013	145,874	148,791	151,767	154,802	157,898	161,056	164,277	167,563	170,914	174,332	177,819	181,375	185,003
Salaries	3.00%	170,474	175,588	180,856	186,281	191,870	197,626	203,555	209,661	215,951	222,430	229,102	235,975	243,055	250,346	257,852	265,592	273,560	281,767	290,220	298,927
Employee Benefits	3.00%	76,808	79,112	81,485	83,930	86,448	89,041	91,712	94,464	97,298	100,217	103,223	106,320	109,510	112,795	116,179	119,664	123,254	126,952	130,760	134,683
Taxes and Insurance	3.00%	23,382	24,084	24,806	25,551	26,317	27,107	27,920	28,757	29,620	30,509	31,424	32,367	33,338	34,338	35,368	36,429	37,522	38,648	39,807	41,001
Misc	3.00%	58,734	60,496	62,311	64,180	66,106	68,089	70,131	72,235	74,402	76,635	78,934	81,302	83,741	86,253	88,840	91,506	94,251	97,078	99,991	102,990
Land Lease Payment (SDHC)	9.00%	228,585	233,157	237,820	242,576	247,428	252,376	257,424	262,572	267,824	273,180	278,644	284,217	289,901	295,699	301,613	307,645	313,798	320,074	326,476	333,005
Total Operating Expenses		1,285,692	1,320,707	1,356,701	1,393,703	1,431,741	1,470,844	1,511,043	1,552,370	1,594,857	1,638,537	1,683,443	1,729,612	1,777,079	1,825,882	1,876,059	1,927,649	1,980,693	2,035,232	2,091,310	2,148,971
NET OPERATING INCOME		1,254,142	1,269,923	1,285,742	1,301,589	1,317,457	1,333,338	1,349,222	1,365,100	1,380,963	1,396,800	1,412,600	1,428,352	1,444,044	1,459,664	1,475,198	1,490,633	1,505,955	1,521,148	1,536,198	1,551,087
RESERVE DEPOSITS																					
Replacement Reserve Deposit	3.00%	60,200	62,006	63,866	65,782	67,756	69,788	71,882	74,038	76,260	78,547	80,904	83,331	85,831	88,406	91,058	93,790	96,603	99,501	102,486	105,561
Other Reserve Deposit	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Reserve Deposits		60,200	62,006	63,866	65,782	67,756	69,788	71,882	74,038	76,260	78,547	80,904	83,331	85,831	88,406	91,058	93,790	96,603	99,501	102,486	105,561
(LESS) DEBT SERVICE																					
Debt Service Coverage Ratio		(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)
		1.23	1.24	1.25	1.27	1.28	1.30	1.31	1.33	1.34	1.35	1.37	1.38	1.39	1.41	1.42	1.43	1.45	1.46	1.47	1.48
NET PROJECT CASH FLOW		220,156	234,131	248,089	262,021	275,915	289,763	303,554	317,276	330,917	344,466	357,910	371,235	384,427	397,472	410,354	423,057	435,565	447,861	459,925	471,740
CASH FLOW WATERFALL																					
(Less) LP AM Fee	3.00%	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)	(6,720)	(6,921)	(7,129)	(7,343)	(7,563)	(7,790)	(8,024)	(8,264)	(8,512)	(8,768)
(Less) HDP Non Profit AM Fee	3.00%	(11,850)	(12,206)	(12,572)	(12,949)	(13,337)	(13,737)	(14,150)	(14,574)	(15,011)	(15,462)	(15,925)	(16,403)	(16,895)	(17,402)	(17,924)	(18,462)	(19,016)	(19,586)	(20,174)	(20,779)
(Less) HDP Partner AM Fee	3.00%	(3,150)	(3,245)	(3,342)	(3,442)	(3,545)	(3,652)	(3,761)	(3,874)	(3,990)	(4,110)	(4,233)	(4,360)	(4,491)	(4,626)	(4,765)	(4,908)	(5,055)	(5,206)	(5,363)	(5,524)
(Less) Other	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(Less) Seller Note Payment	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391,898)	(403,471)	(414,804)	(425,876)	(436,670)
Total Fees (Non Profit and Partnership)		(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	(26,095)	(26,878)	(27,685)	(28,515)	(29,371)	(30,252)	(423,057)	(435,565)	(447,861)	(459,925)	(471,740)
Remaining Cash Flow		200,156	213,531	226,871	240,166	253,405	266,578	279,673	292,678	305,582	318,371	331,032	343,550	355,912	368,101	380,102	-	-	-	-	
DEFERRED DEVELOPER FEE																					
Beginning Balance		-	6,732,259	6,518,728	6,291,856	6,051,690	5,798,285	5,531,708	5,252,035	4,959,357	4,653,775	4,335,404	4,004,372	3,660,822	3,304,911	2,936,809	2,556,707	2,556,707	2,556,707	2,556,707	2,556,707
Interest on Deferred Fee	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(Less) Developer Fee PMT		-	(213,531)	(226,871)	(240,166)	(253,405)	(266,578)	(279,673)	(292,678)	(305,582)	(318,371)	(331,032)	(343,550)	(355,912)	(368,101)	(380,102)	-	-	-	-	
Developer Fee Balance		-	6,518,728	6,291,856	6,051,690	5,798,285	5,531,708	5,252,035	4,959,357	4,653,775	4,335,404	4,004,372	3,660,822	3,304,911	2,936,809	2,556,707	2,556,707	2,556,707	2,556,707	2,556,707	
Remaining Cash Flow		200,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
DEBT AMORTIZATION																					
PERM LOAN Repayment																					
Beginning Balance		17,194,200	16,886,377	16,566,316	16,233,530	15,887,514	15,527,742	15,153,666	14,764,718	14,360,307	13,939,818	13,502,612	13,048,024	12,575,364	12,083,912	11,572,921	11,041,615	10,489,186	9,914,795	9,317,568	8,696,597
Interest Payment	3.91%	(665,963)	(653,725)	(641,000)	(627,770)	(614,014)	(599,710)	(584,838)	(569,375)	(553,297)	(536,580)	(519,198)	(501,125)	(482,334)	(462,795)	(442,480)	(421,357)	(399,395)	(376,559)	(352,815)	(328,128)
Principal Payment		(307,823)	(320,061)	(332,786)	(346,016)	(359,772)	(374,076)	(388,948)	(404,411)	(420,489)	(437,206)	(454,588)	(472,661)	(491,452)	(510,991)	(532,306)	(552,429)	(574,391)	(597,227)	(620,971)	(645,659)
Ending Balance		16,886,377	16,566,316	16,233,530	15,887,514	15,527,742	15,153,666	14,764,718	14,360,307	13,939,818	13,502,612	13,048,024	12,575,364	12,083,912	11,572,921	11,041,615	10,489,186	9,914,795	9,317,568	8,696,597	8,050,939
DEV FEE CONTRIBUTION (PERM) Repayment																					
Beginning Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(Less) Cash Flow Credit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SELLER LOAN (SOFT) Repayment																					
Beginning Balance		29,800,000	30,843,000	31,922,505	33,039,793	34,196,185	35,393,052	36,631,809	37,913,922	39,240,909	40,614,341	42,035,843	43,507,098	45,029,846	46,605,891	48,237,097	49,925,395	51,280,886	52,672,246	54,100,971	55,568,628
Interest	3.50%	1,043,000	1,079,505	1,117,288	1,156,393	1,196,866	1,238,757	1,282,113	1,326,987	1,373,432	1,421,502	1,471,255	1,522,748	1,576,045	1,631,206	1,688,298	1,747,389	1,794,831	1,843,529	1,893,534	1,944,902
(Less) Cash Flow Credit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391,898)	(403,471)	(414,804)	(425,876)	(436,670)
Ending Balance		30,843,000	31,922,505	33,039,793	34,196,185	35,393,052	36,631,809	37,913,922	39,240,909	40,614,341	42,035,843	43,507,098	45,029,846	46,605,891	48,237,097	49,925,395	51,280,886	52,672,246	54,100,971	55,568,628	57,076,861

Tax Credits

Mariner's Village

Tax Credit Assumptions

Eligible Basis (Acq)	\$53,820,000
Eligible Basis (Rehab/New Construction)	\$21,814,702
Total Eligible Basis	\$75,634,702
Maximum Allowable Basis	\$75,634,702
QCT/DDA	130.00%
Total Qualified Basis (Acq)	\$53,820,000
Total Qualified Basis (Rehab/New Construction)	\$28,359,113
Applicable Fraction	95.29%
Applicable Credit Rate (Acq.)	3.17%
Applicable Credit Rate (NC/RH)	3.17%
Total Annual Credit	\$2,482,486
Total 10-Year Credit	\$24,824,860
Investment Rate	\$1.00
Total Investor Equity	\$24,824,860

ATTACHMENT 5
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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November 6, 2019

Ms. Jennifer Kreutter
Director, Real Estate Division
Real Estate Finance
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Mariner's Village Apartments

Dear Ms. Kreutter:

The San Diego Housing Commission (the "Commission") has retained Ross Financial as its municipal advisor to analyze the feasibility of issuing tax-exempt obligations for the Mariner's Village 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 the Commission and Housing Development Partners ("HDP") as developer. The materials include: (1) the applications to the California Debt Limit Allocation Committee ("CDLAC") and California Tax Credit Allocation Committee ("CTCAC"), (2) the financing commitment from Citibank as lender and purchaser of the tax-exempt obligations, (3) the market study performed by Novogradac in support of the application to CDLAC and CTCAC, 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 172-unit affordable multifamily development that was originally constructed in 1987. The Development is currently owned by the Commission, which purchased it in 2010.

The Development currently consists of 172 one-bedroom, two-bedroom and three-bedroom units (171 affordable units and 1 manager's unit) located in twelve, two-story garden-style residential buildings. The buildings are Type V construction, with wood frame. In addition, the Development contains 265 parking spaces (of which 96 are provided in six one-story garage buildings) and a one-story leasing office. Site amenities include: a courtyard, hot tub, central laundry, on-site management, picnic area, playground and swimming pool. Unit amenities include: balconies/patios, blinds, carpeting, central air conditioning, dishwasher, exterior storage, ceiling fans, garbage disposal, ovens, refrigerators, and walk-in closets. Apart from certain path of travel/ADA upgrades, no comprehensive rehabilitation of the Development has occurred since its construction.

Rehabilitation work is substantial and includes:

- New roofing on all buildings
- Exterior and interior paint
- Resurface parking lots
- Replace windows
- Flat work
- Repair sidewalk and pool area
- Path of travel repair
- Landscape upgrades
- Irrigation repair/replace
- Upgrade cabinetry and appliances
- Update countertops and range hoods
- Replace flooring
- Repair/replace balconies/patios

To comply with CTCAC rules, the Development will need to add one more manager's unit, resulting in the loss of one affordable unit. The unit mix and affordability restrictions for the Development as a percentage of Area Median Income ("AMI"), after the financing closes, will be as follows:

Mariner's Village	Unit Mix	40% AMI	60% AMI	80% AMI
1 BR/ 1 BA	20	8	8	4
2 BR/1.5 BA	57*	18	24	14
2 BR/2 BA	51	15	20	16
3 BR/2 BA	44*	13	20	10
Total	172	54	72	44

*Includes one manager's unit, which is not subject to affordability restrictions

Description of Project Site. The Development is located at 6847 Potomac Street, on a 9.46 acre site in the Skyline/Paradise Hills area of San Diego (the "Site"). The Site has frontage along Paradise Valley Road, Potomac Street, and South Woodman Street. Land uses include:

- To the North: Single-family and multi-family developments, as well as Bethune Elementary School
- To the East: Commercial uses and multi-family properties
- To the South: Single-family and multifamily properties, including Bonita Terrace and Bonita Woods
- To the West: Paradise Hills Skate Park and Paradise Hills Recreation Center, as well as single-family properties

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 Mariner's Village, L.P., (the "Borrower"), a single asset California limited partnership consisting of:

- (a) General Partner: HDP Mariner's Village Management, LLC, a limited liability corporation formed by HDP; and
- (b) Limited Partner: a tax credit limited partner to be created by Boston Capital.

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, recently completed,
- 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.

In April 2019, HDP closed on a similarly structured transaction for West Park Apartments, an acquisition-rehabilitation of a 47 unit studio/SRO development previously operated as a hotel.

CDLAC/CTCAC. On December 14, 2018, the Housing Authority filed an application to CDLAC to preserve the Development's "DDA" eligibility and its eligibility to qualify for a 30% basis boost for purposes of low income housing tax credits. The Borrower requested a private activity bond allocation of \$42,000,000. On May 17, 2019, the Borrower submitted updated information to CDLAC and applied for low income housing

tax credits from CTCAC. The Housing Authority ultimately received an allocation in the requested amount at CDLAC's meeting of October 16, 2019. The allocation will expire in 180 days after the allocation award – on or about April 13, 2019. CTCAC reserved the requested 4% tax credits at its meeting of October 16, 2019.

In connection with the CDLAC application process, on December 3, 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 December 3, 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 December 3, 2018. As the TEFRA approval is valid for only one year, the City will need to hold a new TEFRA hearing prior to closing the financing for the Development.

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 \$78,557,119. 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	\$39,000,000	\$17,200,000
Low Income Housing Tax Credit Equity	2,241,576	24,824,860
Seller (HC) Carry Back Loan	29,800,000	29,800,000
Deferred Developer Fee	0	6,732,259
Total	\$72,041,576	\$78,557,119
Uses of Funds		
Acquisition	\$46,800,000	\$46,800,000
Hard Rehabilitation Costs and Contingency	15,103,020	15,103,020
Architectural & Engineering	565,928	565,928
Relocation	1,720,000	1,720,000
Financing costs	2,044,769	2,044,769
3 rd Party Reports and Bond/LIHTC Costs	476,545	476,545
Permits	112,598	112,598
Reserves	965,799	965,799
Other Soft Costs	993,065	993,065
Developer Fee	2,349,853	9,865,396
Total	\$72,041,576	\$78,557,119

The Notes. To finance a portion of the cost of the Development's rehabilitation, the Housing Authority will issue tax-exempt obligations in an estimated aggregate amount of \$39,000,000 but not to exceed \$42,000,000 (the "Notes"). The Notes are expected to have the following features:

- The Notes will be funded and directly purchased by Citibank, a highly-capitalized and sophisticated lending institution that is among the most active affordable housing lenders in the United States;
- The Notes will be issued in two single series: (1) Series 2019F-1 will fund a combined construction and permanent loan in the estimated amount of \$17,200,000 (the "Series 2019F-1 Note") and (2) Series 2019F-2 will fund a construction only loan in the estimated amount of \$21,800,000 (the "Series 2019F-2 Note") – with both amounts subject to change based on final costs and underwriting;
- The Series 2019F-1 Note will mature, or be subject to mandatory call, in 18 years following closing. It will bear a fixed rate equal to the 18 year LIBOR swap index rate at the time of closing plus a spread of 1.75 basis points (approximately 3.50% in the current market);
- The Series 2019F-2 Note will mature, or be subject to mandatory repayment, in approximately 3 years following closing. It will bear a variable interest rate equal to 30 day LIBOR plus a spread of 2.00% (approximately 3.85% in the current market);
- Following rehabilitation and lease up (at "conversion"),
 - The Series 2019F-2 Note will be repaid in full from tax credit investor funds to an estimated permanent amount of \$17,200,000 (subject to final underwriting), and
 - The Series 2019F-1 Note will remain outstanding and begin to amortize on a 30 year basis.
- The Notes are expected to close on or about December 13, 2019.

Citibank 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 Notes. It is anticipated that Citibank will require the ability to transfer the Notes to: (a) a qualified institutional buyer as defined under the Securities Act of 1933 (a "QIB"), (b) an affiliate of Citibank or (c) a trust or custodial arrangement established by Citibank, an affiliate or a governmental entity, the beneficial interests in which will be owned by a QIB or rated in the "BBB" category by a nationally recognized rating agency. In the case of a transfer under part (c), Citibank will require the ability to transfer the Notes without obtaining a similar set of representations required at initial purchase and without regard to minimum denominations. **The transfer provision to a trust or custodial arrangement is not consistent with Section 4.4 of the Commission's Bond Issuance and Post-Issuance Compliance Policy and will require a waiver from the Commission.**

Housing Commission Financial Involvement. Prior to Notes closing, the Commission will enter into a ground lease of the Site with HDP (the "Ground Lease"), or the Borrower, for a term of 65 years. In addition, the Commission will provide seller carryback financing in the amount \$29,800,000 with respect to the existing improvements on the Site (the "Seller Carry Back Note").

Payments on the Ground Lease and the Seller Carry Back Note will equal the lesser of (a) 9.0% of the effective gross income from the Development or (b) 100% of the residual receipts from the Development after payment of operating expenses, debt service on the Series 2019F-1 Note, deferred developer fee and general and limited partner asset management fees. The Ground Lease will contain an option to allow the Commission to re-acquire the Site and improvements at any time after the 15th year for an amount equal to the assumption of then outstanding debt and the payment of any taxes owed by the equity investor as a result of the Commission's acquisition.

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; and
- Tax Credit Regulatory Agreement requirements under which 125 of the units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits.

Under the above restrictions, 54 units in the Development will be restricted to households with incomes that do not exceed 40% AMI and 72 units will be restricted to households with incomes that do not exceed 60% AMI. In addition, 44 units will be restricted to households with incomes that do not exceed 80% AMI. The two manager's units 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 Citibank's permanent loan underwriting:

Assumptions	
Vacancy	5.0%
Revenue Escalation	2.0%
Expense Escalation	3.0%
Cash Flow and Coverage	
Stabilized Net Income – First Full Year	\$2,539,834
Expenses ¹	(1,345,891)
Estimated Net Operating Income	\$1,193,943
Bond Debt Service ²	(973,786)
Debt Service Coverage ³	1.23x
General and Limited Partner Fees	(20,000)
Available Cash Flow after General and Limited Partner Fees	\$200,157
Deferred Developer Fee	(200,157)
Available to repay Seller Carry Back Loan	\$0

¹ Expenses include Ground Lease payments beginning at \$228,585 and replacement reserves beginning at \$60,200

² Assumes a permanent conventional loan par of \$17,200,000 at 4.00%, amortized on the basis of 30 years; debt service includes the Commission's annual monitoring fee of \$21,500 (0.125% times the \$17,200,000)

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 Citibank underwritten rents):

Escalation		Year				
		1	2	3	4	5
2.00%	Revenues					
	Gross Scheduled Rent	2,574,204	2,625,688	2,678,202	2,731,766	2,786,401
2.00%	Other Income	99,305	101,291	103,317	105,383	107,491
	less 5% vacancy	(133,675)	(136,349)	(139,076)	(141,857)	(144,695)
	Total Net Income	2,539,834	2,590,630	2,642,443	2,695,292	2,749,198
	Expenses					
3.00%	Operating Expenses*	(930,115)	(958,018)	(986,759)	(1,016,362)	(1,046,853)
5.00%	Management Fee	(126,992)	(129,532)	(132,122)	(134,765)	(137,460)
9.00%	Ground Lease	(228,585)	(233,157)	(237,820)	(242,576)	(247,428)
3.00%	Reserve Deposits	(60,200)	(62,006)	(63,866)	(65,782)	(67,756)
	Total Expenses	(1,345,891)	(1,382,713)	(1,420,567)	(1,459,485)	(1,499,496)
	Net Operating Income	1,193,943	1,207,918	1,221,876	1,235,807	1,249,702
	Note Debt Service*	(973,786)	(973,786)	(973,786)	(973,786)	(973,786)
	Debt Service Coverage	1.23x	1.24x	1.25x	1.27x	1.28x
	Available Cash Flow after Permanent Loan Debt Service	220,157	234,132	248,090	262,021	275,916
3.00%	LP and HDP Management and Asset Management Fees	(20,000)	(20,600)	(21,218)	(21,855)	(22,510)
	Project Cash Flow after Management Fees	200,157	213,532	226,872	240,166	253,405
	Available to pay Deferred Developer Fee	(200,157)	(213,532)	(226,872)	(240,166)	(253,405)
	Project Cash Flow after Payment of Deferred Developer Fee	0	0	0	0	0
	Available to Pay SDHC Seller Carry Back Loan	0	0	0	0	0
*Includes \$21,500 for the Commission's compliance monitoring fee						

PUBLIC PURPOSE

The issuance of the Notes is expected to result in the long-term affordability of 170 one-bedroom, two-bedroom and three-bedroom units in the City of San Diego: 54 units will be restricted and affordable to households earning 40% AMI; 72 units will be restricted and affordable to households earning 60% AMI; 44 units will be restricted and affordable to household earning 80% AMI; 2 units will be occupied by resident managers.

The Bond and Tax Credit Regulatory Agreements will require that these affordability levels be maintained for a period of 55 years.

BENEFITS AND RISKS TO THE COMMISSION

The Notes provide a vehicle for financing a portion of the acquisition and rehabilitation costs of the Development and achieving the public purposes noted above.

The Notes do not pose undue financial risk to the Housing Authority. The Notes are not direct obligations of the Housing Authority or the City of San Diego. The Notes will be purchased by Citibank, a highly capitalized affordable housing lender. The Series 2019F-2 Note is expected to be repaid down in full, leaving only \$17,200,000 Series 2019F-1 Note outstanding after completion of rehabilitation and lease up – a reduction of approximately 56% in original aggregate par of the Notes.

If the Housing Authority issues the Notes, the Commission will receive an issuer fee at closing of \$97,500 equal to 0.25% times the initial aggregate par amount of the Notes (\$39,000,000 based on current projections). The Commission also will receive an annual Note monitoring fee of \$48,750 during the rehabilitation period (\$39,000,000 times 0.125%) and, after the rehabilitation period, \$21,500 (based on an annual fee equal to 0.125% times the permanent loan amount (estimated at \$17,200,000).

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

RECOMMENDATIONS

Ross Financial recommends that the Housing Authority proceed with the issuance of the Notes based on the following findings:

- The Notes will achieve a public purpose by providing 170 affordable units for families, with 126 units restricted to income levels at 40% and 60% of AMI and 44 units restricted to income levels at 80% AMI – for a period of 55 years.
- The Notes will be purchased by a well-established, highly capitalized bank that is active in affordable housing lending.

Ms. Jennifer Kreutter
Re: Mariner's Village Apartments
November 6, 2019
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- The Borrower and HDP will indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Note 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 Series 2019F-1 Note after completion of the rehabilitation.

I note, however, that the transfer restrictions applicable to the Notes are not consistent with the Commission's policies and will require a waiver.

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 in a cursive style.

Peter J. Ross
Principal