

Table 1 – Development Details

Address	220 West Broadway, San Diego, CA 92101
Council District	3
Community Plan Area	Civic Core
Development Type	New Construction
Construction Type	Type I
Stories	37 (8 retail/office levels, 29 residential levels)
Parking Type	670 total Subterranean spaces; 589 residential and 81 commercial
Housing Type	Mixed Use
Lot Size	Approximately 1.25 acres, 54,647 square feet
Units	82 total
Density	344 dwelling units per acre
Affordable Unit Mix	7 Studio 18 one-bedroom units 14 two-bedroom units 2 three-bedroom units
Market Rate Unit Mix	9 Studio units 31 one-bedroom units 1 two-bedroom units 0 three-bedroom units
Gross Building Area	91,237 square feet
Net Rentable Area	66,423 square feet

The Development

Courthouse Commons is one component of a proposed mixed-use development located at 220 West Broadway, San Diego, CA 92101, that will be composed of 431 rental units, retail and office space (Attachment 2 – Site Map). The 445-foot tall, 37-story high-rise tower (floors 1 – 8 office and retail floors 9 – 37 residential) will have 235,000 rentable square feet of office space, 17,000 square feet of retail space, and five levels of shared subterranean parking. Amenities include rooftop lounge with pool and spa, outdoor terrace, outdoor deck with cooking, dining, and gathering space, dog run and fitness center. Shared amenities space has been incorporated in the eighth floor of the building so both residential and office tenants can access them.

The developer has an executed Disposition and Development Agreement (DDA) and Purchase and Sale Agreement with San Diego County for the purchase and development of County-owned land at the project site. The site is currently home to the former San Diego County Courthouse and jail. The former courthouse building on the site has been demolished and the site is currently vacant.

Project Sustainability

Courthouse Commons will comply with the California Tax Credit Allocation Committee’s (TCAC) minimum energy efficiency standards.

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Development Team

Courthouse Commons will be co-owned by an affiliate of Holland Partner Group (HPG) and an affiliate of North America Sekisui House (NASH). The development will be constructed by HPG’s affiliate Holland Construction. HPG and NASH will also serve as the tax credit investor; a to-be-formed limited partnership will own and control Courthouse Commons. Statements for public disclosure for HPG and NASH are included in Attachment 3.

Founded in 2001, HPG, based in Vancouver, Washington, is a real estate investment company. Current assets under management and development represent approximately \$12 billion in 50,000 apartment units across the western United States. The development of Courthouse Commons will be managed by HPG’s Southern California office, which currently has eight developments composed of more than 2,500 units in various stages of development.

NASH is wholly owned company of Sekisui House, LTD, one of Japan’s largest single-family homebuilders. Founded in 1960, Sekisui House is a publicly traded company and has built millions of homes worldwide.

Table 2 - Development Team Summary

ROLE	FIRM/CONTRACT
Developer	Holland Development LLC
General Partner	To be determined
Limited Partner	220 W Broadway Development Partners, L.P. & 220 W Broadway Market Rate 2, LLC
General Contractor	Holland Construction, Inc.
Architect	Carrier Johnson
Property Management	Holland Residential LLC AHA/PA-Project Access

Financing Structure

Courthouse Commons has an estimated total development costs of \$40.8 million. Financing will include a combination of tax-exempt Multifamily Housing Revenue Notes, 4 percent tax credits, and a developer equity contribution.

No Housing Commission loan proceeds will be provided to this development.

Estimated permanent sources and uses of financing are provided in Table 3. The developer’s project pro forma is provided as Attachment 5.

Table 3 – Courthouse Commons Estimated Sources and Uses of Financing

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts
Permanent Loan	\$21,000,000	Acquisition Costs	\$196,370
Developer Equity	\$19,852,950	Construction Costs	\$30,252,664
		Architectural & Engineering	\$1,105,152
		Construction Loan Interest & Fees	\$4,002,904
		Contingency	\$1,540,367
		Other project costs (Impact Fees, etc.,)	\$1,648,458
		Developer Fee	\$776,915
		Other Costs	\$883,735
		Reserves	\$446,385
Total Development Cost	\$40,852,950	Total Development Cost	\$40,852,950

Developer Fee

The net cash developer fee shall be \$766,915 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer developer fee.

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR17-011; Resolution No. HA-1727)). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” The developer is proposing a \$766,915 total developer fee, which 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

The structure of the purchase agreement with the County requires the payment of state prevailing wages for this development.

Development Cost Key Performance Indicators

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

Table 4 – Key Performance Indicators*

Development Cost Per Unit	$\$40,852,950 \div 82 \text{ units} =$	\$498,206
Land Cost Per Unit	$\$196,370 \div 82 \text{ units} =$	\$30,162
Gross Building Square Foot Hard Cost	$\$40,852,950 \div 91,237 \text{ sq. ft.} =$	\$448
Net Rentable Square Foot Hard Cost	$\$40,852,950 \div 66,423 \text{ sq. ft.} =$	\$615

**Development Cost Per Unit and Square Foot Hard Costs based on estimate of total costs associated with residential portion of development and prorated hard costs.*

Project Comparison Chart

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

Table 5 – Comparable Development Projects

Project Name	Year	Construction Type	Units	Total Development Cost (Residential)	Cost Per Unit	HC Subsidy Per Unit.	Gross Hard Cost Per Sq.Ft.
Subject – Courthouse Commons	2020	I	82	\$40,852,950	\$498,206	\$0	\$448
Atmosphere I	2014	I	100	\$40,367,519	\$403,675	\$30,000	\$330
Park & Market	2017	I	427	\$235,000,000	\$550,351	\$0	\$354
Ten Fifty B	2010	I	229	\$88,682,000	\$387,258	\$0	\$447

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority, and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds.

The developer was awarded a CDLAC bond allocation of \$24,000,000. The developer proposes to have the Housing Authority issue the bonds through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on bond disclosure.

The developer proposes that the bonds will be used to provide construction and permanent financing for acquisition and construction of the Project. 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 6.

AFFORDABLE HOUSING IMPACT

Under the proposed bond financing, Courthouse Commons would restrict 20 percent of its units to households with incomes at or below 50 percent of San Diego Area Median Income (AMI). The remaining 80 percent of the units will be market rate. The affordable units will be restricted for a 55-year term. Table 6 summarizes the affordability:

Table 6 – Courthouse Commons Affordability & Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Maximum Net Rents
Studio	50%	7	\$898
Studio	Market	9	Market
1-bedroom	50%	18	\$958
1-bedroom	Market	31	Market
2-bedroom	50%	14	\$1,146
2-bedroom	Market	1	Market
3-bedroom	50%	2	\$1,320
3-bedroom	Market	0	Market
TOTAL Units		82	

Development Schedule

The estimated development timeline is as follows.

Milestones	Estimated Dates
<ul style="list-style-type: none"> • Housing Commission final bond authorization • Housing Authority final bond authorization • Estimated bond issuance and escrow closing • Estimated start of construction work • Estimated completion of construction work 	<ul style="list-style-type: none"> • June 2020 • June 2020 • September 2020 • April 2022 • April 2024

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2020 Housing Commission Budget. Approving this action will not affect the FY 2020 total budget.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - \$60,000 (.0025 bond issuer fee x \$24,000,000)

Funding uses approved by this action will be as follows:

Administration Costs - \$60,000

Approval of the bond inducement and TEFRA resolutions does not commit the Housing Authority to issue the bonds. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission annual administrative fee, as well as Housing Commission Bond Council and Financial Advisor fees.

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COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

As required by the Housing Commission Bonds Program, the developer presented their proposal for Courthouse Commons to the Downtown Community Planning Council on May 15, 2020, and it was unanimously approved. This approval is required prior to requesting authorization of final bond related approvals.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Holland Partner Group, North America Sekisui House, County of San Diego, the City of San Diego, and the Civic Core Community. Development of the property is expected to have a positive impact on the community because it will redevelop the site and provide affordable housing opportunities to future tenants.

ENVIRONMENTAL REVIEW

In accordance with Sections 15168 and 15180 of the CEQA Guidelines, the potential impacts associated with future development within the Downtown are addressed in the Downtown FEIR and the CAP FEIR. These documents address the potential environmental effects of future development within Downtown based on build-out forecasts projected from the land use designations, density bonus, and other policies and regulations governing development intensity and density. Based on this analysis, the Downtown FEIR and the CAP FEIR, as listed in Section 6 above, concluded that development would result in significant impacts. The Downtown FEIR and the CAP FEIR are “Program EIRs” prepared in compliance with California Environmental Quality Act (CEQA) Guidelines Section 15168. The aforementioned environmental documents are the most recent and comprehensive environmental documents pertaining to the proposed Project. The Downtown FEIR is available for review at the offices of the Civic San Diego (“CivicSD”) located at 401 B Street, Suite 400, San Diego, CA 92101 or at the CivicSD website at <http://civicsd.com/departments/planning/environmental-documents>. The CAP FEIR is available at the offices of the City of San Diego Planning Department located at 1010 Second Avenue, Suite 1200, San Diego, CA 92101 or on the City of San Diego website. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this action.

Respectfully submitted,

Approved by,



Colin Miller
Vice President, Multifamily Housing Finance
Real Estate Division

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

Attachments: 1) Development Summary
2) Site Map
3) Developer Disclosure Statements
4) Developer’s Project Pro forma
5) Multifamily Housing Revenue Bond Program
6) Financial Analyst Report

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org