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San Diego Housing Commission (SDHC)
Cortez Hill Apartments Revised Final Bond Authorization
Presentation to the SDHC Board of Commissioners
February 9, 2023

Colin Miller
Senior Vice President, Housing Finance & Property Management
Real Estate Division



SDHC – Cortez Hill Apartments Development Summary

- Proposed new construction of 87 affordable rental housing units and one unrestricted manager's unit:
 - 14 supportive housing units for households experiencing homelessness
 - 73 affordable units for households with income from 30 percent to 40 percent of San Diego's Area Median Income
 - \$31,250/year – \$41,650/year for two-person household
 - Affordable for 55 years
 - 915 Beech Street in the Cortez Hill neighborhood
- Resident activities will include community-building events, education and skill-building classes, and health and wellness workshops/events.
- The Fifth Avenue trolley stop is 0.5 mile from the site.
- The bus stop at 10th Avenue and A Street is 0.2 mile from the site.

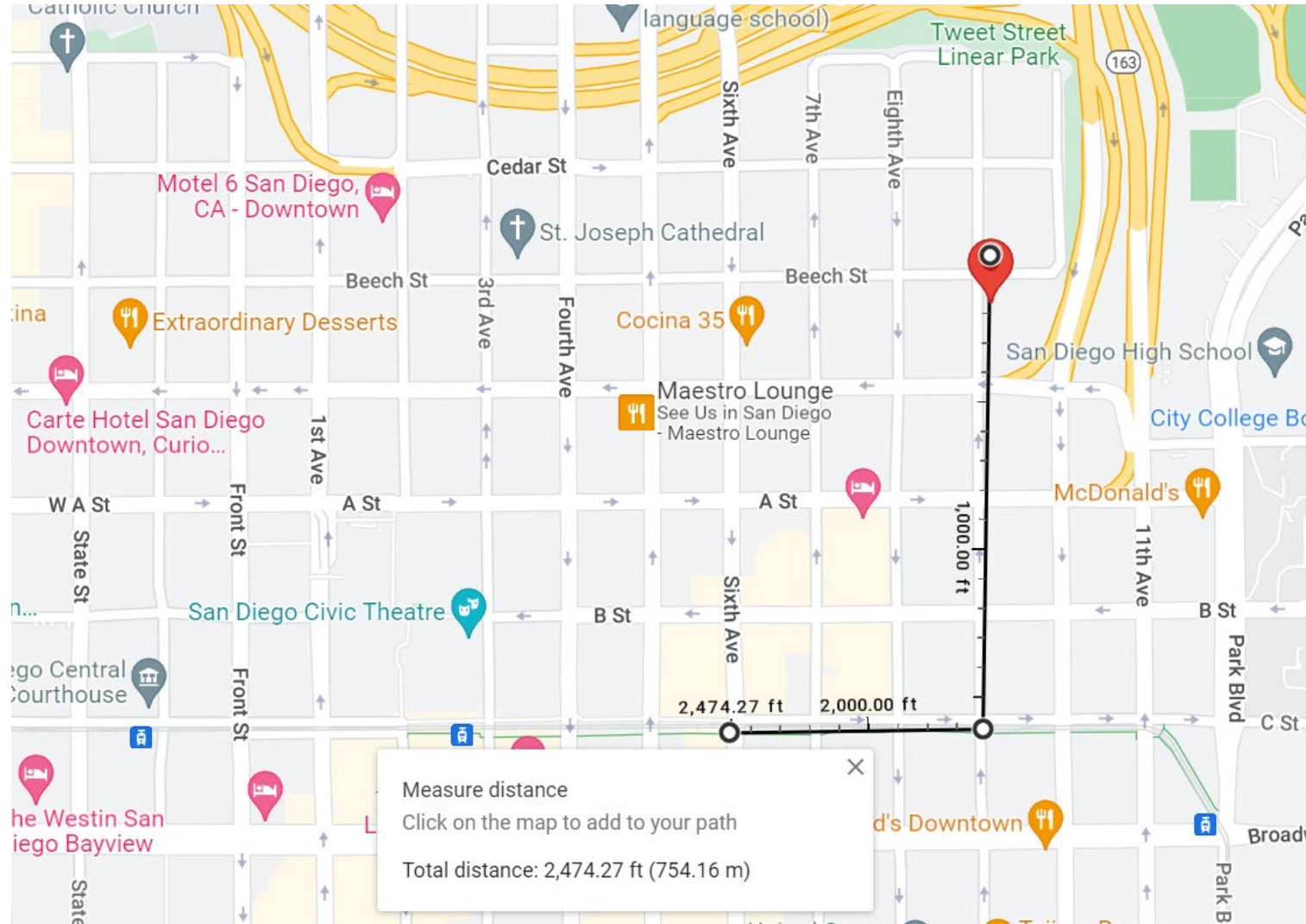


SDHC – Cortez Hill Apartments Developer Request

- December 9, 2022: The developer, Community HousingWorks (CHW), requested that SDHC approve a 10% increase of the tax-exempt Multifamily Housing Revenue Bonds allocation.
- This would increase the total the tax-exempt bonds by \$1,930,500—from \$19,305,000 to \$21,235,500.
- CHW has stated that this supplemental request is being made due to:
 - Inflation in the cost of construction materials and
 - The changing market conditions that have resulted in significant interest rate increases.
- As an offset to the increase in tax-exempt bonds, CHW is proposing to decrease the taxable bonds by \$1,930,500, which would decrease the total taxable bonds from \$13,000,000 to \$11,069,500.
- The requested increase in the amount of tax-exempt Multifamily Housing Revenue Bonds to the originally approved amount would not require an additional TEFRA hearing or approval because the increase is no more than 10% of the original amount \$19,305,000.



SDHC – Cortez Hill Apartments Location and Transit Map



SDHC – Cortez Hill Apartments

Estimated Permanent Financing Sources and Uses

Permanent Financing Sources	Amount	Permanent Uses	Amount
Tax-exempt permanent bond	\$16,568,000	Land + Acquisition Cost	\$44,843
Housing Commission loan	5,000,000	Construction cost + Contingency	28,129,755
Housing Commission loan accrued deferred interest	224,421	Financing costs	4,967,490
City of San Diego PLHA loan	1,400,000	Other soft costs	2,250,152
City Loan accrued deferred interest	52,559	Developer fee	5,235,809
Deferred developer fee	1,500,000	Local permits and fees	1,339,897
4 percent tax credit equity	18,158,068	Architect & Engineering	1,388,477
General Partner developer fee	1,235,809	Soft costs contingency	240,000
		Reserves	542,434
Total Development Cost	\$44,138,857	Total Development Cost	\$44,138,857

- Estimated Total Development Cost per unit (88 units) = \$501,578



SDHC – Cortez Hill Apartments

Affordability and Estimated Rents

Unit Type	AMI	Units	Max Gross Rent
One-Bedroom Units	30% (\$31,250/year for two-person household)	50	\$732
One-Bedroom Units	40% (\$41,650/year for two-person household)	29	\$976
Two-Bedroom Units	30% (\$35,150/year for three-person household)	4	\$878
Two-Bedroom Units	40% (\$46,850/year for three-person household)	4	\$1,171
Subtotal Residential Units		87	
2-Bedroom Manager (Unrestricted)	--	1	--
Total	--	88	--



SDHC – Cortez Hill Apartments Development Timeline

Milestone	Estimated Date
<ul style="list-style-type: none"> • Housing Authority approval of revised bond issuance..... 	March 2023
<ul style="list-style-type: none"> • Estimated bond issuance and escrow/loan closing..... 	March 2023
<ul style="list-style-type: none"> • Estimated start of construction work..... 	March 2023
<ul style="list-style-type: none"> • Estimated completion of construction work..... 	December 2024



SDHC – Cortez Hill Apartments Architect's Rendering



SDHC – Cortez Hill Apartments Bond Issuance Summary

- Proposed bond issuance increase of up to \$1,930,500 in tax-exempt bonds—from previously authorized \$19,305,000 to proposed \$21,235,500.
- Developer is responsible for paying all costs of issuing bonds.
- Issuance pursuant to SDHC’s bond policy.
- Bond issuance will not create financial liability to SDHC, Housing Authority, nor City.
- Neither the full faith and credit nor taxing power of the City nor full faith and credit of the Housing Authority will be pledged to payment of the bonds.



SDHC – Cortez Hill Apartments

Staff Recommendations

That the SDHC Board of Commissioners (Board):

- 1) Authorize an increase of \$1,930,500 in the previously authorized maximum amount of tax-exempt Multifamily Housing Revenue Bonds, from \$19,305,000 to \$21,235,500 to fund Beech Street Housing Associates LP's construction of Cortez Hill Apartments (Cortez Hill). Cortez Hill is a new affordable rental housing development at 915 Beech Street, in the Cortez Hill neighborhood in downtown San Diego, which will consist of 87 units that will remain affordable for 55 years for people with low income, selected from the Housing Commission's Project-Based Housing Vouchers (PBV) waiting list for those earning between 30 percent and 40 percent of the San Diego Area Median Income (AMI), and one unrestricted manager unit.



SDHC – Cortez Hill Apartments Staff Recommendations (Continued)

That the SDHC Board recommend that the Housing Authority of the City of San Diego take the following actions:

- 1) Authorize an increase of \$1,930,500 in the previously authorized maximum amount of tax-exempt Multifamily Housing Revenue Bonds, from \$19,305,000 to \$21,235,500 to fund Beech Street Housing Associates LP's construction of Cortez Hill Apartments (Cortez Hill). Cortez Hill is a new affordable rental housing development at 915 Beech Street, in the Cortez Hill neighborhood in downtown San Diego, which will consist of 87 units that will remain affordable for 55 years for people with low income, selected from the Housing Commission's Project-Based Housing Vouchers (PBV) waiting list for those earning between 30 percent and 40 percent of the San Diego Area Median Income (AMI), and one unrestricted manager unit.



SDHC – Cortez Hill Apartments Staff Recommendations (Continued)

2. Authorize the Designated Officers identified in Resolution No. HA-1966 adopted by the Housing Authority on November 15, 2022, which approved the original maximum amount of bonds for Cortez Hill, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in form approved by the General Counsel of the Housing Authority and of the Housing Commission and the Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of the General Counsel and/or the Bond Counsel. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.



Questions & Comments

