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San Diego Housing Commission (SDHC)
Loan Recommendation for Encanto Gateway Apartments
Presentation to the SDHC Board of Commissioners
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Development Summary

- Proposed new construction of 64 affordable rental housing units for individuals and families
 - Affordable for 55 years for households with income from 30 percent to 60 percent of San Diego’s Area Median Income (AMI)
 - Currently \$39,700/year to \$99,240/year for two-to-four-person households
 - Nine units of permanent supportive housing for people experiencing homelessness
 - One unrestricted manager’s unit
 - 6601 Imperial Ave. in the Chollas Valley Community Plan Area in Council District 4
- The development will consist of one five-story residential building.
 - 31 one-bedroom units
 - 16 two-bedroom units
 - 17 three-bedroom units
 - 1 unrestricted manager’s unit
- The site is 1.5 acres with five vacant structures that will be demolished.
- Payment of Federal and State Prevailing Wage will apply
- Property management will be provided by National CORE’s in-house property management department.



Developer Summary

- Joint venture between National CORE and I Am My Brother’s Keeper Community Development Corporation
 - National CORE is a nonprofit developer with 33 years of experience.
 - With over 10,000 units in service and \$1.6 billion in assets, the developer has successfully completed multiple projects using SDHC capital funds and is in good standing.
 - I Am My Brother’s Keeper is an emerging nonprofit developer that has provided services to the community for over two decades.
 - This will be their first development with SDHC.
- SDHC’s Fiscal Year 2024 Notice of Funding Availability (NOFA) – SDHC staff provided a preliminary award recommendation for:
 - A residual receipts loan of up to \$1,000,000
 - 10 Project-Based Vouchers, including nine permanent supportive housing vouchers for households experiencing homelessness or chronic homelessness with serious mental illness.
- Service Providers:
 - National CORE’s affiliate, Hope Through Housing Foundation: adult education, health, nutrition, and exercise education, skill-building classes, and referral to available services
 - County Behavioral Health Services (for “No Place Like Home” residents)
 - I Am My Brothers Keeper: general services and employment training



Site Map





Estimated Permanent Financing Sources and Uses

Permanent Financing Sources	Amount	Permanent Uses	Amount
Permanent Loan	\$3,566,770	Acquisition and Closing Costs Off-site Improvement	\$4,536,684 \$1,181,270
County of San Diego Innovative Housing Trust Fund loan (IHTF)	\$5,000,000	Construction Hard Costs: \$23,171,048 General Req/Profit/Overhead 3,891,631 Onsite Costs 3,445,034 Insurance 316,890 Contingency: <u>+1,600,294</u> Total Construction \$32,424,897	\$32,424,897
City of San Diego EDD Loan	\$5,500,000	Financing Costs	\$3,131,193
County of San Diego NPLH loan	\$1,620,000	Legal Costs	\$282,500
SDHC Proposed Loan	\$1,000,000	Other Soft Costs Permits and Fees	\$1,266,520 \$1,611,380
California Infill Infrastructure Grant	\$1,500,000	Architecture and Engineering Costs	\$1,444,510
Deferred Developer's Fee	\$1,250,000	Reserves	\$817,856
General Partner Contribution	\$100	Contingency Soft Costs	\$220,986
9% tax credits equity	\$29,980,926	Developer's Fee	\$2,500,000
Total Development Sources	\$49,417,796	Total Development Cost (TDC)	\$49,417,796

- Estimated Total Development Cost Per Unit (65 units) = \$760,274



Cost Drivers

- Encanto Gateway’s \$760,374/unit is higher than typical multifamily affordable new construction developments. This is due to the following factors:

Total Development Cost Increase Factors	Cost Amounts	Cost Per Unit
City of San Diego Required On-site Work	\$1,181,720	(\$ 18,180)
Federal and State Prevailing Wages	\$6,484,979	(\$ 99,769)
Total Cost Increase Factors	\$7,666,699	(\$117,949)

- Removing these factors from the equation results in a per unit cost of \$642,325.

	Amounts	Cost Per Unit
Current TDC	\$49,417,796	\$760,274
Minus Cost Increase Factors (above)	<u>-7,666,699</u>	<u>- 117,949</u>
Total Without Cost Increase Factors	\$41,751,097	\$642,325



Affordability and Estimated Rents

	AMI	Units	CTCAC Gross Rent
One-Bedroom	30% (Currently \$39,700 year for a two-person household)	9	\$930
One-bedroom	30% (Currently \$39,700 year for a two-person household)	8	\$930
One-bedroom	50% (Currently \$66,150 /year for a two-person household)	9	\$1,551
One-bedroom	60% (Currently \$79,380 /year for a two-person household)	5	\$1,861
Subtotal One-bedroom Units		31	
Two-bedroom	30% (Currently \$44,650 /year for a three-person household)	6	\$1,116
Two-bedroom	50% (Currently \$74,450 /year for a three-person household)	5	\$1,861
Two-bedroom	60% (Currently \$79,380 /year for a three-person household)	5	\$2,233
Subtotal Two-bedroom Units		16	
Three-bedroom	30% (Currently \$49,600 /year for a four-person household)	6	\$1,290
Three-bedroom	50% (Currently \$82,700 /year for a four-person household)	6	\$2,150
Three-bedroom	60% (Currently \$99,240 /year for a four-person household)	5	\$2,580
Subtotal Three-bedroom Units		17	
Subtotal Affordable Units		61	
2-Bedroom Manager (Unrestricted)	--	1	
Total Units		65	



Development Timeline

Milestone	Estimated Date
• CTCAC 9 percent tax credit application.....	April 7, 2026
• CTCAC 9 percent tax credit allocation meeting.....	June 22, 2026
• Estimated escrow/loan closing.....	December 10, 2026
• Estimated start of construction work.....	December 30, 2026
• Estimated completion of construction work.....	June 2028



Architect's Rendering





Staff Recommendations

That the SDHC Board of Commissioners take the following actions:

- 1) Approve a proposed residual receipts loan in an amount not to exceed \$1,000,000 to Encanto Gateway LP, a California limited partnership, to facilitate the new construction of Encanto Gateway, a transit-oriented development at 6601 Imperial Ave., San Diego, 92114, in the Chollas Valley Community Plan Area of San Diego, which will consist of 64 units that will remain affordable for 55 years for individuals and families with income from 30 percent to 60 percent of San Diego's Area Median Income (AMI), including nine units of permanent supportive housing for persons experiencing homelessness, and one unrestricted manager's unit.

SDHC's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report. Such third-party funding commitments will be subject to the SDHC General Counsel's approval.



Staff Recommendations (Continued)

- 2) Authorize SDHC’s President and Chief Executive Officer (President and CEO), or designee to:
 - a. Execute all necessary documents and instruments to effectuate the transaction and implement the project, in a form approved by General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon the advice of General Counsel, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.
 - b. Adjust financing terms/conditions, as necessary, for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$1,000,000 maximum SDHC loan amount may not increase.
 - c. Substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President and CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the SDHC Board upon advice of the General Counsel.



Questions & Comments

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