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San Diego Housing Commission (SDHC)

Loan Recommendation for Serra Mesa Apartments

Presentation to the SDHC Board of Commissioners
March 14, 2025

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SDHC – Serra Mesa Apartments Development Summary

- Proposed acquisition and new construction of 59 affordable rental housing units and one unrestricted manager’s unit at 3440 Sandrock Road in the Serra Mesa neighborhood of San Diego in Council District 7
 - 59 affordable units for households with income from 30 percent to 60 percent of San Diego’s Area Median Income (AMI)
 - \$36,400/year – \$72,720/year for two-person to three-person households
 - SDHC awarded 30 Veterans Affairs Supportive Housing (VASH) Project-Based Housing Vouchers for VASH-eligible veterans experiencing homelessness
 - Affordable for 55 years
- Mix of one- and two-bedroom units

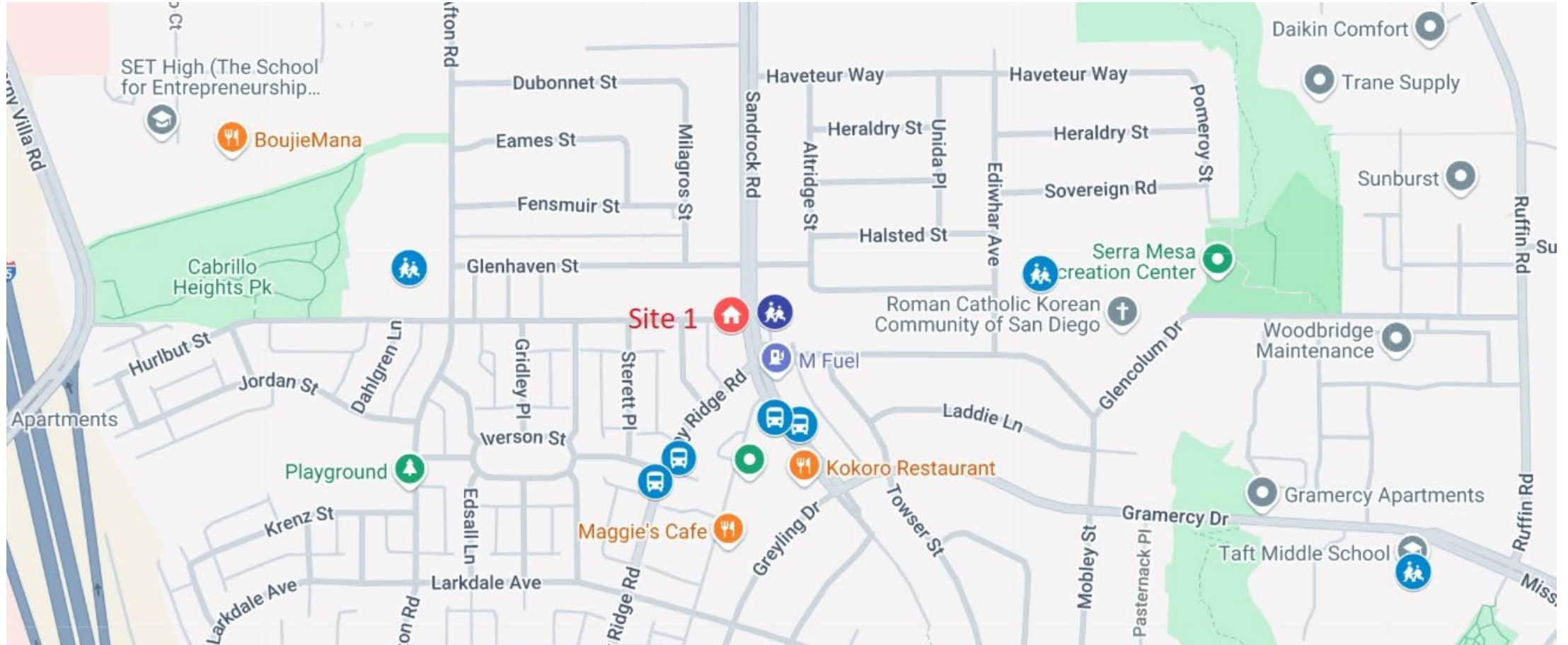


SDHC – Serra Mesa Apartments Developer Summary

- Community HousingWorks
 - Experienced, award-winning, nonprofit developer
 - Owns more than 4,289 units in 47 communities statewide
 - Successfully completed previous developments with SDHC capital funds
- Pursuant to SDHC’s Fiscal Year 2024 Notice of Funding Availability (NOFA), SDHC staff provided a recommendation for a residual receipts loan of up to \$2,500,000 and 30 VASH Project-Based Vouchers (PBVs).
- Service Provider:
 - Community HousingWorks will provide services to all residents at no cost, including financial well-being, next generation success, and health and wellness.
 - The U.S. Department of Veterans Affairs (VA) will provide veterans with supportive services and case management.
 - The VA will connect VASH participants with partners to provide transportation, health services and food resources.



SDHC – Serra Mesa Apartments Site Map



SDHC – Serra Mesa Apartments

Estimated Permanent Financing Sources and Uses

Permanent Financing Sources	Amount	Permanent Uses	Amount
Conventional Permanent Loan	\$9,693,000	Ground Lease Value	\$4,587,060
City of San Diego Capitalized Ground Lease	\$4,200,000	Construction Costs: \$24,576,016 Contingency: \$1,308,932	\$25,884,948
City of San Diego Bridge to Home	\$4,000,000	Financing Costs	\$631,194
SDHC Proposed Loan	\$2,500,000	Permits and Fees	\$1,414,223
Impact Fee Waiver	\$192,045	Reserves	\$389,555
SDHC Accrued Deferred Interest	\$103,648	Architecture and Engineering Costs	\$1,639,481
City of San Diego Accrued Deferred Interest	\$114,577	Construction Interest	\$2,659,787
General Partner Capital	\$100	Other Soft Costs	\$3,797,122
9% Percent Federal Tax Credit Equity	\$23,000,000	Developer Fee	\$2,800,000
Total Development Sources	\$43,803,370	Total Development Cost	\$43,803,370

- Estimated Total Development Cost Per Unit (60 units) = \$730,056



SDHC – Serra Mesa Apartments Cost Drivers

- Rising construction costs, interest rates and volatility in the insurance market
- Payment of prevailing wages as a result of the VASH PBVs, accounting for \$5.2 million, or 25%, increase to hard costs
- Complete Communities designation, resulting in over \$300,000 in additional expenses related to public improvement requirements, such as sidewalks and streetscapes
- Podium parking costs of \$1.8 million, accounting for 5% of total development cost



SDHC – Serra Mesa Apartments

Affordability and Estimated Rents

Unit Type	AMI	Units	CTCAC Gross Rent
One-bedroom for unhoused veterans	30% (Currently \$36,400/year for a two-person household)	5	\$852
One-bedroom for unhoused veterans	50% (Currently \$60,600/year for a two-person household)	15	\$1,420
One-bedroom for unhoused veterans	60% (Currently \$72,720/year for a two-person household)	<u>10</u>	<u>\$1,704</u>
Subtotal One-bedroom Units for homeless veterans		30	
One-bedroom for low-income households	30% (Currently \$36,400/year for a two-person household)	9	\$852
One-bedroom for low-income households	60% (Currently \$72,720/year for a two-person household)	<u>17</u>	<u>\$1,704</u>
Subtotal One-bedroom Units for low-income households		26	
Two-bedroom for low-income households	30% (Currently \$40,950/year for a three-person household)	1	\$1,023
Two-bedroom for low-income households	50% (Currently \$68,200/year for a three-person household)	<u>2</u>	<u>\$1,705</u>
Subtotal Two-bedroom Units for low-income households		3	
Subtotal Affordable Units		59	
2-Bedroom Manager (Unrestricted)	--	<u>1</u>	
Total Units		60	



SDHC – Serra Mesa Apartments Development Timeline

Milestone	Estimated Date
<ul style="list-style-type: none"> • CTCAC 9% tax credit application..... 	March 18, 2025
<ul style="list-style-type: none"> • CTCAC allocation meeting..... 	June 2025
<ul style="list-style-type: none"> • Estimated escrow/loan closing..... 	December 2025
<ul style="list-style-type: none"> • Estimated start of construction work..... 	December 2025
<ul style="list-style-type: none"> • Estimated completion of construction work..... 	August 2027

CTCAC = California Tax Credit Allocation Committee



SDHC – Serra Mesa Apartments Architect's Rendering



SDHC – Serra Mesa Apartments

Staff Recommendations

That the SDHC Board of Commissioners take the following actions:

- 1) Approve a residual receipts loan in an amount not to exceed \$2,500,000 to a to-be-formed limited partnership, to facilitate the new construction of Serra Mesa Apartments at 3440 Sandrock Road, San Diego, CA 92123, in the Serra Mesa neighborhood of San Diego, which will consist of 59 rental housing units that will remain affordable for 55 years for persons with incomes of 30 percent to 60 percent of San Diego's Area Median Income (AMI) and one unrestricted manager's unit. The development includes an award of 30 designated Veterans Affairs Supportive Housing (VASH) Project-Based Housing Voucher units for VASH-eligible veterans experiencing homelessness, including five units for veterans with incomes at or below 30% AMI, and 25 units for veterans with incomes at or below 50% to 60% of AMI.
 - SDHC's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report and meeting compliance requirements will all applicable Project-Based Housing Voucher regulations. Such third-party funding commitments will be subject to SDHC General Counsel's approval.



SDHC – Serra Mesa Apartments

Staff Recommendations (Continued)

- 2) Authorize the 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 the General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon advice of the 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 \$2,500,000 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 SDHC upon advice of the General Counsel.



Questions & Comments



SDHC – Serra Mesa Apartments

