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# San Diego Housing Commission (SDHC) Supplemental Final Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA) Resolution for Sea Breeze Gardens Apartments Presentation to the SDHC Board of Commissioners June 20, 2025

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# SDHC – Sea Breeze Gardens Apartments

## Development Summary

- Rehabilitation of 266 affordable rental housing units (including one restricted manager's unit) and two unrestricted managers' units at 4802-4890 Logan Avenue in Council District 4.
  - 266 affordable units for households with income from 30 percent to 60 percent of San Diego's Area Median Income (AMI)
    - \$44,650/year – \$99,240/year for three- to four-person households
- Preserves the affordability of the property, as a new 55-year affordability term will be executed.
- All affordable units are covered by a Project-Based Section 8 contract administered by Los Angeles LOMOD Corporation.
- The Sea Breeze Gardens development consists of:
  - 36 two-story residential buildings with a mix of two- and three-bedroom units
  - One commercial building (currently housing a daycare center under a long-term lease)
  - One community clubhouse
  - Six standalone laundry facilities
- Granite Communications & Security will provide free internet for all residents throughout the property.



# SDHC – Sea Breeze Gardens Apartments

## Developer and Service Provider Summary

- Lincoln Avenue Communities (LAC)
  - Experienced for-profit developer
  - Owns and operates more than 30,500 units at 170 properties across 28 states
- Pacific Housing Inc. is providing services at no cost for all residents.
  - Community activities
  - Health and wellness classes
  - Year-round Service Coordinator
  - After-school programs for children ranging from 7-17 years of age



# SDHC – Sea Breeze Gardens Apartments Supplemental Bond Request

- Previous approvals of final bond authorization of \$75,000,000:
  - April 12, 2024: SDHC Board of Commissioners
  - May 21, 2024: Housing Authority of the City of San Diego
- June 14, 2024: \$75,000,000 in tax-exempt bonds were issued.
- June 17, 2024: Rehabilitation of the project started with anticipated completion in late December of 2025.
- Fall 2024: The developer, LAC, asked SDHC to submit a \$7,500,000 supplemental tax-exempt bond application to the California Debt Limit Allocation Committee (CDLAC).
  - This would increase the total tax-exempt bond allocation from \$75,000,000 to \$82,500,000.



## SDHC – Sea Breeze Gardens Apartments Supplemental Bond Request (Continued)

- April 25, 2025: SDHC Board approved the initial steps to issue a supplemental allocation of up to \$7,500,000 in Housing Authority tax-exempt multifamily housing revenue bonds.
  - A bond inducement resolution was obtained before the application submittal to the California Debt Limit Allocation Committee (CDLAC).
  - The SDHC Board held a TEFRA hearing.
- May 22, 2025: An application was submitted to CDLAC for a non-competitive, over-the-counter bond allocation of up to \$7,500,000.
- May 27, 2025: CDLAC approved the \$7,500,000 bond allocation, and the California Tax Credit Allocation Committee (CTCAC) approved an allocation of 4 percent tax credits.
- Currently, the rehabilitation is approximately 60% complete.
- Construction remains on schedule for completion by December 2025.
  - Site work, exterior work, and Americans with Disabilities Act (ADA) units are complete.
  - Standard unit construction began in February.



## SDHC – Sea Breeze Gardens Apartments

### Supplemental Bond Request (Continued)

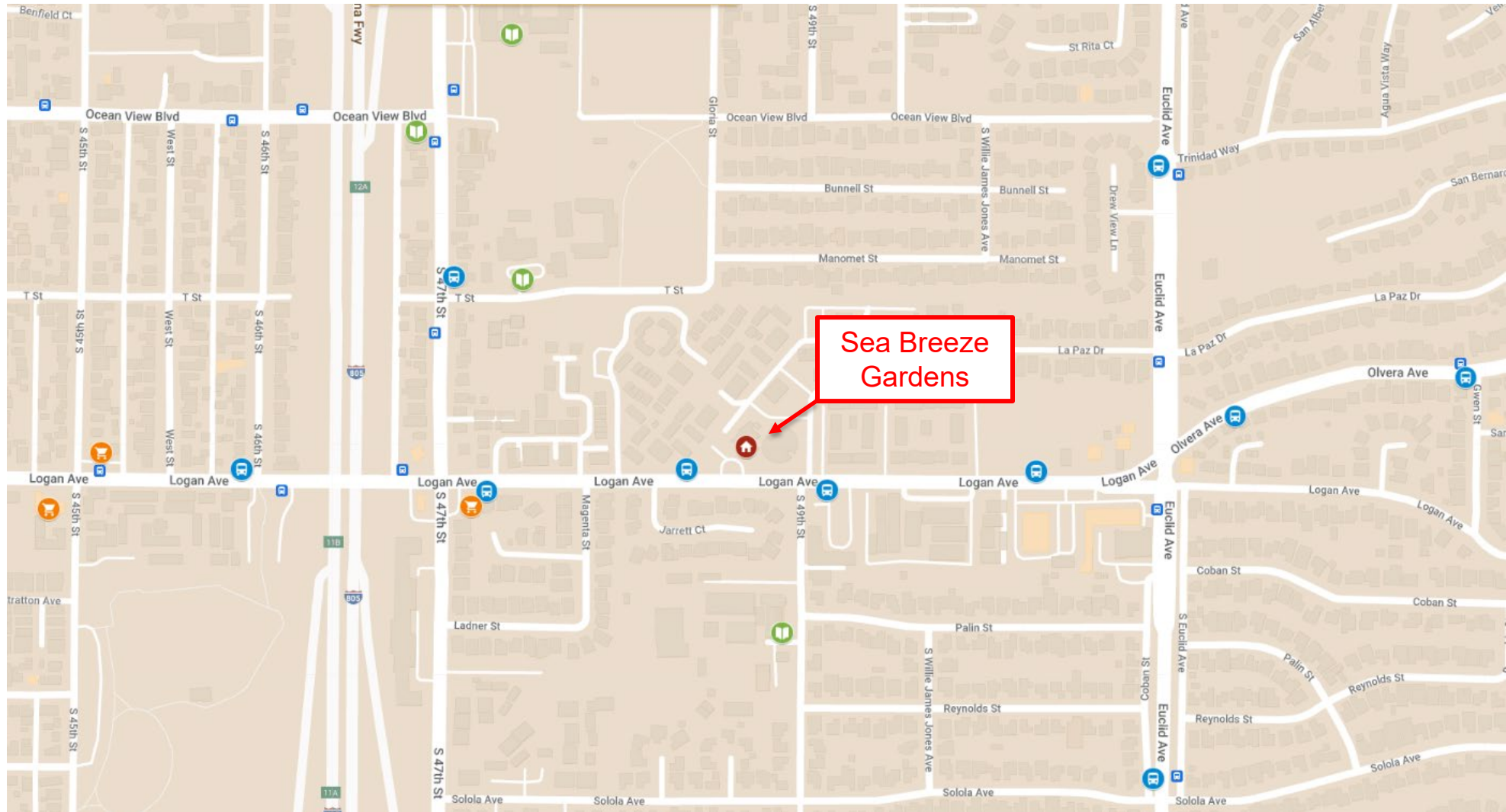
- The supplemental request is due to additional hard costs related to unforeseen circumstances during the construction process.
- Due to the age of the building, significant structural and electrical repairs and updates are needed.
  - Structural repairs to metal stairs
  - Building water shut-off valves and pressure reducing valves
  - Access control upgrades
  - Resurfacing of bathtubs
  - New ceiling fans
  - Grease shields
  - Sink liners
  - Medicine cabinets
  - Solar panels
  - Installation of communitywide wiring, conduit sleeves and in-unit cabling to provide internet and cable free of charge to all residents.
- Significant additional costs have been incurred for Americans with Disabilities Act (ADA) units and the clubhouse.
  - Clubhouse: structural framing, replacement of the fire alarm system
  - ADA units: framing, footing, and beams to bring to current code, relocation of electrical feeders.





# SDHC – Sea Breeze Gardens Apartments

## Local Amenities Map



## SDHC – Sea Breeze Gardens Apartments

### Estimated Permanent Financing Sources and Uses

| Permanent Financing Sources                 | Amount        | Permanent Uses          | Amount        |
|---------------------------------------------|---------------|-------------------------|---------------|
| Bond Financed Permanent Loan (Tax-Exempt)   | \$75,000,000  | Acquisition             | \$116,400,000 |
| Direct Taxable First Mortgage (Freddie Mac) | 22,250,000    | Construction Cost       | 28,800,185    |
| GP Capital Contribution                     | 200           | Project Soft Costs      | 4,058,640     |
| Federal Tax Credit Equity                   | 58,081,710    | Tax Credit Fees         | 260,806       |
| Seller Carryback Note (Residential)         | 6,364,805     | Bond Costs              | 686,250       |
| Seller Carryback Note (Commercial)          | 228,000       | Bridge Loan Costs       | 4,244,189     |
| Reserved Cash Flow                          | 882,895       | Permanent Loan Costs    | 1,863,512     |
| Solar                                       | 1,268,999     | Construction Loan Costs | 519,532       |
| Deferred developer fee                      | 1,558,831     | Closing Costs           | 370,059       |
|                                             |               | Escrows and Reserves    | 2,217,436     |
|                                             |               | Developer's Fee         | 6,214,831     |
| Total Development Cost                      | \$165,635,440 | Total Development Cost  | \$165,635,440 |

- Estimated Total Development Cost Per Unit (268 Units) = \$618,043



# SDHC – Sea Breeze Gardens Apartments

## Affordability and Monthly Rents

| Unit Type                                  | AMI                                                        | Units      | CTCAC Gross Rent |
|--------------------------------------------|------------------------------------------------------------|------------|------------------|
| Two-bedroom                                | 30% (currently \$44,650/year for a three-person household) | 10         | \$1,116          |
| Two-bedroom                                | 50% (currently \$74,450/year for a three-person household) | 10         | \$1,861          |
| Two-bedroom                                | 60% (currently \$89,340/year for a three-person household) | <u>80</u>  | \$2,233          |
| <b>Subtotal Two-bedroom Units</b>          |                                                            | <b>100</b> |                  |
| Three-bedroom                              | 30% (currently \$49,600/year for a four-person household)  | 17         | \$1,240          |
| Three-bedroom                              | 50% (currently \$82,700/year for a four-person household)  | 17         | \$2,068          |
| Three-bedroom                              | 60% (currently \$99,240/year for a four-person household)  | <u>132</u> | \$2,481          |
| <b>Subtotal Three-bedroom Units</b>        |                                                            | <b>166</b> |                  |
| <b>Subtotal Affordable Units</b>           |                                                            | <b>266</b> |                  |
| Unrestricted Managers' three-bedroom units | --                                                         | <u>2</u>   |                  |
| <b>Total</b>                               |                                                            | <b>268</b> |                  |



# SDHC – Sea Breeze Gardens Apartments

## Development Timeline

| Milestones                                                                | Estimated Dates |
|---------------------------------------------------------------------------|-----------------|
| • Housing Authority consideration of Bond Authorization.....              | July 22, 2025   |
| • Estimated Bond issuance and escrow / loan closing.....                  | August 2025     |
| • Estimated completion of construction work (excluding solar system)..... | December 2025   |
| • Estimated completion of construction work (including solar system)..... | April 2026      |



# SDHC – Sea Breeze Gardens Apartments

## Renovated Property Exteriors



*Photos courtesy of LAC*



# SDHC – Sea Breeze Gardens Apartments Renovated Property Interior



Renovated Kitchen



Renovated Bathtub



Renovated Bathroom



Renovated ADA Bathtub

*Photos courtesy of LAC*



## SDHC – Sea Breeze Gardens Apartments Bond Issuance Summary

- Proposed supplemental bond issuance of up to \$7,500,000 in tax-exempt bonds.
- 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 the City of San Diego.
- Neither the full faith and credit nor taxing power of the City of San Diego nor full faith and credit of the Housing Authority will be pledged to payment of the bonds.



# SDHC – Sea Breeze Gardens Apartments

## Staff Recommendations

**That the SDHC Board of Commissioners recommend that the Housing Authority and City Council take the following actions:**

### **Housing Authority**

- 1) Authorize the supplemental issuance of tax-exempt Multifamily Housing Revenue Bonds in an aggregate amount not to exceed \$7,500,000 to facilitate Sea Breeze Gardens Preservation LP's rehabilitation of Sea Breeze Gardens Apartments, at 4802-4890 Logan Avenue in the Chollas Valley neighborhood in Council District 4, which will consist of 266 units that will remain affordable for 55 years for families earning between 30 percent to 60 percent of San Diego's Area Median Income (AMI), one of which is a restricted manager's unit, and two unrestricted manager's units.
- 2) Authorize SDHC's President and Chief Executive Officer (President and CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by the General Counsel of the Housing Authority and of SDHC 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.



# SDHC – Sea Breeze Gardens Apartments

## Staff Recommendations (Continued)

### City Council

Adopt a Tax Equity and Fiscal Responsibility Act (TEFRA) resolution approving the supplemental issuance of tax-exempt Multifamily Housing Revenue Bonds in an aggregate amount not to exceed \$7,500,000 to facilitate Sea Breeze Gardens Preservation LP's rehabilitation of Sea Breeze Gardens Apartments at 4802-4890 Logan Avenue in the Chollas Valley neighborhood in Council District 4, which will consist of 266 units that will remain affordable for 55 years for families earning 30 percent to 60 percent of the San Diego Area Median Income (AMI), one of which is a restricted manager's unit, and two unrestricted managers' units.



## SDHC – Sea Breeze Gardens Apartments

# Questions & Comments



# SDHC – Sea Breeze Gardens Apartments



*Photos courtesy of LAC*

