



SAN DIEGO
HOUSING
COMMISSION

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San Diego Housing Commission (SDHC)

Loan Recommendation for Market Street Apartments

Presentation to the SDHC Board of Commissioners
June 21, 2024

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SDHC – Market Street Apartments

Development Summary

- Proposed new construction of 137 affordable rental housing units for seniors and one unrestricted manager's unit at 4588 Market Street in the Chollas Valley neighborhood of Council District 4:
 - 137 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 households
- One five-story building
 - The first level will be parking, which will include 90 parking spaces.
 - The remaining levels will be residential and commercial.
 - The commercial space will be leased to Neighborhood House Association to provide childcare for families in the neighborhood.

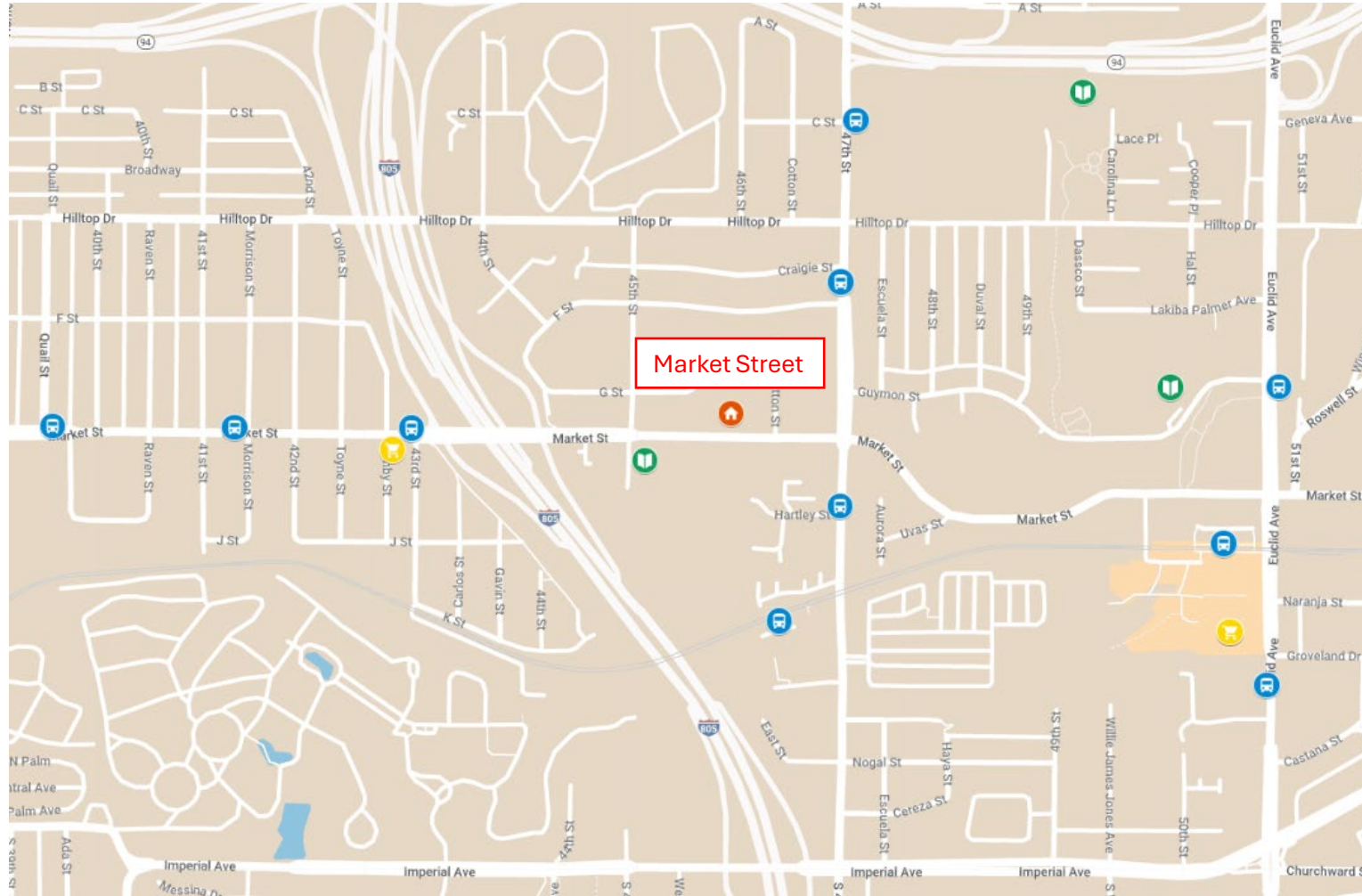


SDHC – Market Street Apartments Developer Summary

- Market Street Apartments' developer is Affirmed Housing Group (Affirmed).
 - Experienced, award-winning, for-profit developer
 - Has successfully completed previous developments with SDHC loan funds
 - Has developed more than 70 affordable communities nationwide
- 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 \$4,000,000.
- Service Providers:
 - EnGAGE will provide services for all residents
 - Wellness classes
 - Artist workshops
 - Computer skills trainings
 - San Ysidro Health provide services to eligible frail and elderly residents
 - Medical, dental, optometry, behavioral health services
 - Transportation service



SDHC – Market Street Apartments Site Map



SDHC – Market Street Apartments

Estimated Permanent Financing Sources and Uses

| Permanent Financing Sources | Amount | Permanent Uses | Amount |
|--|---------------------|-------------------------------|---------------------|
| Permanent loan | \$11,219,757 | Land Acquisition Cost | \$10,270,000 |
| State of California Department of Housing & Community Development Multifamily Program (MHP loan) | 11,899,118 | Construction Cost | 45,648,900 |
| Proposed SDHC loan | 4,000,000 | Financing Cost | 5,530,000 |
| County of San Diego loan | 4,000,000 | Development fees and permits | 2,375,746 |
| County of San Diego land value | 10,170,000 | Other soft costs | 2,092,954 |
| State tax credits equity | 7,401,660 | Architect & engineering | 2,000,000 |
| 9 percent tax credit equity | 22,769,999 | Soft costs contingency | 599,934 |
| | | Reserves | 443,000 |
| | | Developer fee | 2,500,000 |
| Total Development Sources | \$71,460,534 | Total Development Uses | \$71,460,534 |

- Estimated Total Development Cost Per Unit (138 units) = \$517,830



SDHC – Market Street Apartments

Affordability and Estimated Rents

| Unit Type | AMI | Units | TCAC Max Rents |
|----------------------------------|---|------------|----------------|
| One-Bedroom units | 30% (currently \$36,400 for 2-person household) | 14 | \$852 |
| One-Bedroom units | 40% (currently \$48,500 for 2-person household) | 28 | \$1,136 |
| One-Bedroom units | 50% (currently \$60,600 for 2-person household) | 42 | \$1,420 |
| One-Bedroom units | 60% (currently \$72,720 for 2-person household) | <u>53</u> | \$1,818 |
| Subtotal Affordable Units | | 137 | -- |
| Manager's Unit (Unrestricted) | -- | <u>1</u> | -- |
| Total Units | -- | 138 | -- |



SDHC – Market Street Apartments Development Timeline

| Milestone | Estimated Date |
|--|----------------|
| <ul style="list-style-type: none"> • Submit funding application to State HCD..... | July 2024 |
| <ul style="list-style-type: none"> • California Tax Credit Allocation Committee (CTCAC) 9 percent tax credit application..... | March 2025 |
| <ul style="list-style-type: none"> ▪ CTCAC 9 percent tax credit 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..... | June 2027 |



SDHC – Market Street Apartments Architect's Rendering



SDHC – Market Street Apartments

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 \$4,000,000 to a to-be-formed limited partnership, to facilitate the acquisition and new construction of Market Street Apartments at 4588 Market Street in the Chollas Valley (Encanto) neighborhood of San Diego, which will consist of 137 rental housing units that will remain affordable for 55 years for seniors (aged 55 and older) with income of 30 percent to 60 percent of San Diego's Area Median Income (AMI) 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 SDHC General Counsel's approval.



SDHC – Market Street Apartments

Staff Recommendations (continued)

- 2) Authorize the President and Chief Executive Officer (President and CEO), or designee:
 - a) To execute any and all documents necessary 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) To 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 \$4,000,000 maximum SDHC loan amount may not increase.
 - c) To 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 – Market Street Apartments

