SAN DIEGO HOUSING COMMISSION

SDHC

Attachment 11

December 29, 2022

Miles Cortez
Executive Vice President & Chief Administrative Officer
Lincoln Mariners Associates Limited
C/O Apartment Investment and Management Company
4582 S. Ulster Street, Suite 1100
Denver, CO 80237

Subject: Letter of Intent (LOI) for Mariner's Cove

Dear Mr. Cortez:

Since 2020, the San Diego Housing Commission (SDHC), which includes its Board, staff and legal counsel, has dedicated a significant amount of time reviewing AIMCO's proposal to demolish all 500 existing units at Mariner's Cove and to construct 772 new units.

In addition, SDHC retained Keyser Marston & Associates (KMA) to analyze the financial feasibility of the proposed project. While the expenses related to these studies and recommendations have been costly for SDHC, KMA was retained to demonstrate SDHC's continued support of the proposed project.

After lengthy review and discussion, SDHC was under the impression that both parties agreed upon all of the proposal's conditions, and a non-binding Letter of Intent (LOI) could advance for appropriate approvals. However, since then, AIMCO has raised two concerning conditions, which are preventing the advancement of the LOI as detailed below:

1) Unit Mix. AIMCO is requesting flexibility to allow for unit mix changes in the future without SDHC's consent. The unit mix proposed by AIMCO and used by KMA to complete its financial analysis, is one of many assumptions that affect the financial feasibility and regulatory requirements for the project. SDHC is requiring that any change in the unit mix be subject to the Housing Authority Executive Director's and the Housing Authority's reasonable approval. SDHC cannot recommend the proposal to remove SDHC's and Housing Authority's consent.

2) Relocation. AIMCO is stating that it will only pay for relocation to the extent required by state law. AIMCO's position is that state law only requires AIMCO to provide financial relocation benefits to tenants occupying the units affordable at 80% of Area Median Income (AMI), while excluding the units restricted at 120% of AMI and the market-rate units. SDHC's position is that AIMCO must provide state relocation benefits to *all* tenants for two reasons: (i) it is law as the Housing Authority is a party to the ground lease, and (ii) AIMCO would otherwise displace 400 units without providing any financial relocation benefits. In addition, since all of the units will be demolished, SDHC believes that SB 330 requires the financial relocation benefits for *all* tenants at the site. As a result, SDHC cannot support this proposal to provide financial relocation benefits only to tenants residing in the units restricted at 80% of AMI.

SDHC is required to present the non-binding LOI to the Housing Authority for consideration. As you are aware, the office of the Independent Budget Analyst (IBA) will review and opine on AIMCO's proposal to provide a recommendation to the Housing Authority. The proposal submitted to the IBA was the proposal KMA used to prepare a financial analysis, which utilized the units mix referenced above.

Unless AIMCO agrees to the LOI as proposed by SDHC, SDHC will forward the matter to the Housing Authority with a recommendation from SDHC that the Housing Authority reject the LOI. Additionally, SDHC will recommend to the Housing Authority that the Second Amended and Restated Lease's requirement of $25,000,000 in property improvements commence within six months and be completed within a one-year period after the commencement of construction, but no later than June 30, 2024.

SDHC's ongoing hope is that both parties can mutually agree to the LOI as proposed by SDHC and can move forward with the project. Please provide a response no later than January 20, 2023. Otherwise, SDHC will move forward as referenced as above.

Sincerely,

Emily S. Jacobs
Executive Vice President, Real Estate
San Diego Housing Commission