



SAN DIEGO  
HOUSING  
COMMISSION

## REPORT TO THE HOUSING AUTHORITY

**DATE ISSUED:** September 12, 2012

**REPORT NO:** HAR12-040

**ATTENTION:** Chair and Members of the Housing Authority of the City of San Diego  
For the Agenda of October 16, 2012

**SUBJECT:** Final Bond Authorization for Knox Glen Townhomes

**COUNCIL DISTRICT:** 4

### **REQUESTED ACTION:**

Authorize the issuance of Housing Authority of the City of San Diego multifamily housing revenue bonds to fund the refinancing and rehabilitation of the Knox Glen Townhomes.

### **STAFF RECOMMENDATION:**

That the Housing Authority of the City of San Diego ("Housing Authority") authorize the issuance of up to \$5.5 million in multifamily housing revenue bonds to refinance and rehabilitate the Knox Glen Townhomes ("Knox Glen"), located at 4754 Logan Avenue, by Logan Development II, L.P. ("Logan Development II").

### **SUMMARY:**

#### **The Project**

Knox Glen is a nine-building, 54-unit property located in the southeastern part of San Diego (see Attachment 1). The project includes 9 two-bedroom units, 31 three-bedroom units, and 14 four-bedroom units. Twenty-eight of the three-bedroom units and all 14 of the four-bedroom units are two-story townhomes with attached garages. Knox Glen also includes a community room with computer access, tot lot, and onsite laundry facilities.

Knox Glen was built in 1996 by Housing Development Partners of San Diego ("HDP"). Knox Glen was originally financed with a conventional loan from J.P. Morgan Chase Bank ("Chase"), residual receipts loans from both the San Diego Housing Commission ("Housing Commission") and the Southeastern Economic Development Corporation ("SEDC"), and tax credit equity.

As part of the proposed refinancing, Logan Development II will secure a new allocation of non-competitive, 4 percent tax credits and a new tax-exempt bond loan provided by Chase. Logan Development II will use these proceeds to repay the original Chase loan, which has an interest rate of 8.74 percent, and to rehabilitate the project. The existing Housing Commission and SEDC loans will be assumed by Logan Development II. In addition, at closing of the new financing, Logan Development II has agreed to pay off \$150,000 of the approximately \$1.44 million in accrued interest currently outstanding on the Housing Commission loan.

### Proposed Rehabilitation

Knox Glen has not been substantially renovated since it was built. HDP's construction budget totals \$2,184,367 (\$40,451 per unit), with hard construction costs of \$1.7 million, and a 10 percent contingency. A detailed construction cost breakdown is included as Attachment 2 and a Development Summary is included as Attachment 3. Major rehabilitation items include the following:

- Replacement of original appliances and plumbing fixtures with new Energy Star rated models
- Replacement of kitchen and bathroom cabinets and counters
- Installation of Low E, energy efficient windows and doors
- Replacement of carpet and vinyl flooring in each unit
- New roofing
- Interior and exterior painting

HDP also plans to improve the energy efficiency and sustainability at Knox Glen by retrofitting site lighting with LED fixtures, providing new R50 blown-in attic insulation, installing Energy Star rated ceiling fans, and improving water conservation through the use of drip irrigation and drought tolerant plant materials.

### Unit Mix and Affordability

The property is currently subject to a tax credit regulatory agreement and a Housing Commission declaration of covenants and restrictions. These documents restrict 24 units at 50 percent of the Area Median Income ("AMI") and 29 units at 60 percent AMI. One unit is occupied by a resident manager and is unrestricted. As part of the refinancing, HDP has agreed to maintain the same level of affordability for an additional 55 years.

The rent and occupancy restrictions are summarized below:

Unit Type	Square Footage	AMI	Number	Restricted Rent	Market Rent	% Below Market
2 Bedroom	678	50%	6	\$865	\$1,245	-30.5%
3 Bedroom	1,179	50%	12	\$956	\$1,239	-22.8%
4 Bedroom	1,383	50%	6	\$1,025	\$1,635	-37.3%
2 Bedroom	678	60%	3	\$1,047	\$1,245	-15.9%
3 Bedroom	1,179	60%	18	\$1,157	\$1,297	-10.8%
4 Bedroom	1,383	60%	8	\$1,235	\$1,635	-24.5%
3 Bedroom	1,179	MGR	1	N/A	N/A	N/A

The proposed development timeline is as follows:

Milestone	Date
Bond and Tax Credit Allocations	July 18, 2012
Housing Authority Final Bond Authorization	October 16, 2012
Finance Closing	November 1, 2012
Start of Rehabilitation	November 15, 2012
Completion of Rehabilitation	October 31, 2013

### Development Team

HDP is a California 501(c)(3) non-profit public benefit corporation which was incorporated in April 1990. HDP is a separate legal entity established by the Housing Commission to acquire and develop low and moderate-income housing and to provide services related to housing. HDP has successfully participated in affordable housing transactions throughout San Diego, and will act as the managing general partner in Logan Development II, a new limited partnership that will own and operate Knox Glen. Boston Capital will act as the new tax credit equity provider and limited partner of Logan Development II. Below is a summary of the development team for Knox Glen.

### **Development Team Summary**

<b>Role</b>	<b>Firm/Contact</b>	<b>Ownership</b>
Developer	Logan Development II, L.P. Contact: Marco Vakili, Executive Director, Housing Development Partners	General Partner: Housing Development Partners Limited Partner: Boston Capital
Architect	Basis Architecture and Consulting	Owner: Charles Pick
General Contractor	To be determined.	
Property Management	Hyder & Company	Owner: Stephen Margetic

HDP's portfolio serves San Diego's diverse affordable housing needs by providing apartments for seniors, families, workers and special needs residents. HDP has developed 789 units of affordable housing within the City of San Diego ("City").

The Board of Directors of HDP includes the President & Chief Executive Officer ("President & CEO") of the Housing Commission, Richard C. Gentry, Commissioner Gramling, Commissioner Spoon and two at-large community members. HDP's disclosure statement is included as Attachment 4.

### Financing Structure

The estimated total development cost of Knox Glen is approximately \$10.2 million. Financing sources include 4 percent tax credits, tax-exempt housing bonds, the assumption of residual receipts loans from the Housing Commission and SEDC, a seller loan, the transfer of existing reserves, and a deferred developer fee. The amount of bonds being requested (\$5.5 million) is slightly higher than the current estimate needed for construction (\$4.9 million). This allows for a contingency in the event that additional bonds are needed between this approval and the bond closing. Estimated permanent sources of funding are summarized below:

<b>Permanent Sources of Funding</b>	
Housing Revenue Bonds (Chase)	\$3,359,645
4% Tax Credit Equity	2,949,468
SDHC Loan Assumption	2,618,500
SEDC Loan Assumption	221,174
Seller Loan	653,967
Transfer of Reserves	87,000
Deferred Developer Fee	53,633
NOI during Stabilization	250,155
<b>Total</b>	<b>\$10,193,542</b>

Public Disclosure and Bond Authorization

The bonds will be sold through a private placement purchased directly by Chase. Chase is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, Chase will sign an “Investor’s Letter” certifying, among other things, that it is buying the bonds for its own account and not for public distribution. The bonds are being sold through a private placement and an Official Statement will not be used. In addition, the bonds will not be subject to continuing disclosure requirements, nor will they be credit enhanced or rated. When bonds are issued through a public offering, a third party trustee administers bond proceeds, collects project loan payments, makes bond debt service payments, and protects the interest of bondholders. Under the private placement structure for this transaction, Chase will act as both the bond owner’s representative (in lieu of a trustee) and as the bondholder/lender.

The transfer of the bonds by Chase to any subsequent bondholder would be restricted to transferees who would purchase all of the bonds (to maintain ownership by a single bondholder). Moreover, any subsequent bondholder would be required to represent to the Housing Authority that they are a qualified institutional buyer who is buying the bonds for investment purposes and not for resale, and that they have made due investigation of any material information necessary in connection with the purchase of the bonds.

The following documents will be executed on behalf of the Housing Authority: Indenture, Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other loan documents. At the time of docketing, bond documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney’s office and bond counsel.

The bonds will be issued pursuant to an Indenture between the Housing Authority and Chase (acting as the bondowner representative). Based upon instructions contained in the Indenture, the bondowner representative will disburse bond proceeds for eligible costs, collect project revenues and make payments to bondholders.

Under the terms of the Loan Agreement, the Housing Authority will loan the proceeds of the bonds to the borrower in order to develop the project. The Loan Agreement sets out the terms of repayment and the security for the loan, and the Housing Authority assigns its rights to receive repayments under the loan to the bondowner representative.

An Assignment of Deed of Trust and other Loan Documents, which assigns the Housing Authority’s rights and responsibilities as the bond issuer to Chase, is signed by the Housing Authority and Chase Bank. Rights and responsibilities that are assigned to Chase Bank include the right to collect and enforce the collection of loan payments, monitor project construction and related budgets, and enforce insurance and other requirements. These rights will be used by Chase as bondowner representative to protect its financial interests as the bondholder.

The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws.

Since the bonds will not be repaid using any City or Housing Authority revenues, it is not appropriate to provide any information about the City's finances. For a summary of the Housing Commission's Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize bond financings, please see Attachment 5.

Staff has been working with The PFM Group, the Housing Commission's Financial Advisor, to perform due diligence concerning the proposed financing and to formulate a recommendation for the Housing Authority. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the bond issuance for the project be authorized assuming a tax credit investor commits to the transaction. The Financial Advisor's analysis and recommendation to proceed is included as Attachment 6.

Staff is also working with the City Attorney's Office and the City's Disclosure Practices Working Group to assure that the issuance of Housing Authority bonds is in conformance with the City's disclosure requirements.

**FISCAL CONSIDERATIONS:**

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested bond action. The bonds will not constitute a debt of the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Housing Authority will be pledged to the payment of the bonds; security for repayment of the bonds will be limited to the value of the property and its revenue sources. All costs of the bond financing, including compensation for staff efforts in preparing the bonds, will be borne by the project owner. The Housing Commission's issuer fee under the financing will be approximately \$11,249 (0.23 percent of the expected bond amount) or less if limited by the tax code.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

This item was unanimously approved at the regular Housing Commission meeting of September 14, 2012.

On May 8, 2012, the Housing Authority and City Council approved preliminary bond items for Knox Glen. On May 8, 2012, the Housing Authority also approved the assumption of the existing Housing Commission loan to a new limited partnership, approved the subordination of the loan to a new first position bond loan, and authorized the Housing Commission to enter into an option agreement to purchase the property at the end of the 15-year tax credit compliance period.

**PUBLIC CONFLICT DISCLOSURE STATEMENT:**

Commissioners Gary Gramling, Roberta Spoon, and President & CEO of the Housing Commission, Richard Gentry, are each directors and officers of HDP, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation for federal tax purposes.

Commissioner Gramling, Commissioner Spoon, and President & CEO Gentry receive no compensation for their service on the HDP's Board of Directors and/or for serving as officers of HDP. Pursuant to the provisions of Government Code Sections 1091.5(a)(7) and 1091.5(a)(8), Commissioner Gramling, Commissioner Spoon, and CEO Gentry each have a "non-interest" as described in Government Code Section 1091.5 for purposes of their actions on Housing Commission actions associated with this matter. This disclosure shall be incorporated into the record of the San Diego Housing Commission.

As members of the Board of Commissioners of the Housing Commission, Mr. Gramling and Ms. Spoon are legally entitled to vote and be counted for quorum purposes in this matter affecting HDP. Further, Mr. Gentry is not compensated by HDP and he sits on the Board of Directors of HDP as a volunteer officer and director. Further, HDP supports the mission of the San Diego Housing Commission.

None of the Housing Commissioners has a financial interest in action items that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et. seq.

The San Diego Housing Commission is a public agency and both Mr. Gramling and Ms. Spoon are not compensated for their service as Commissioners of the San Diego Housing Commission. Further, Mr. Gentry's compensation from a public agency, the San Diego Housing Commission, is a non interest under the provisions of Government Code Section 1091.5(a)(9) as well as for the purposes of Government Code Section 87100 et. seq. Moreover, Mr. Gentry is not a Commissioner of the San Diego Housing Commission and does not vote on matters heard by the San Diego Housing Commission.

Further, to the extent that HDP is a public agency for local Ethics Ordinance purposes, neither Chair Gramling, Vice Chair Spoon, nor President & CEO Gentry have any conflicts of interest under the local ethics ordinance that would preclude their, or any of their, actions in this matter or from being counted for quorum purposes or from voting on this matter. Further, even if HDP is not treated as a public agency for local purposes, there is no conflict for the Chair, Vice-Chair nor the President & CEO of the Housing Commission, under the terms of the local ordinance because of the exemptions referenced within the preceding paragraphs, specifically those referenced within Government Code Sections 1091.5(a)(7), (a)(8) and/or (a)(9).

This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

**COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:**

HDP will present their proposal for rehabilitation of Knox Glen to the Encanto Community Planning Group in October.

**KEY STAKEHOLDERS and PROJECTED IMPACTS:**

The residents of Knox Glen are stakeholders. HDP is the developer and will act as the managing general partner of Logan Development II. The Housing Commission is a stakeholder due to its residual receipts loan and will continue to provide ongoing compliance monitoring activities. SEDC, their successor agency, and the oversight committee are also stakeholders due to SEDC's existing loan on the property.

**ENVIRONMENTAL REVIEW:**

On April 25, 2012, the City of San Diego Environmental Analysis Section previously determined this project is categorically exempt from the provisions of the California Environmental Quality Act ("CEQA") pursuant to section 15301 (existing facilities) of the State CEQA guidelines. Therefore, no further CEQA processing is required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this activity.

Respectfully submitted,



Peter Armstrong  
Real Estate Project Manager  
Real Estate Department

Approved by,



Deborah N. Ruane  
Senior Vice President  
Real Estate Department

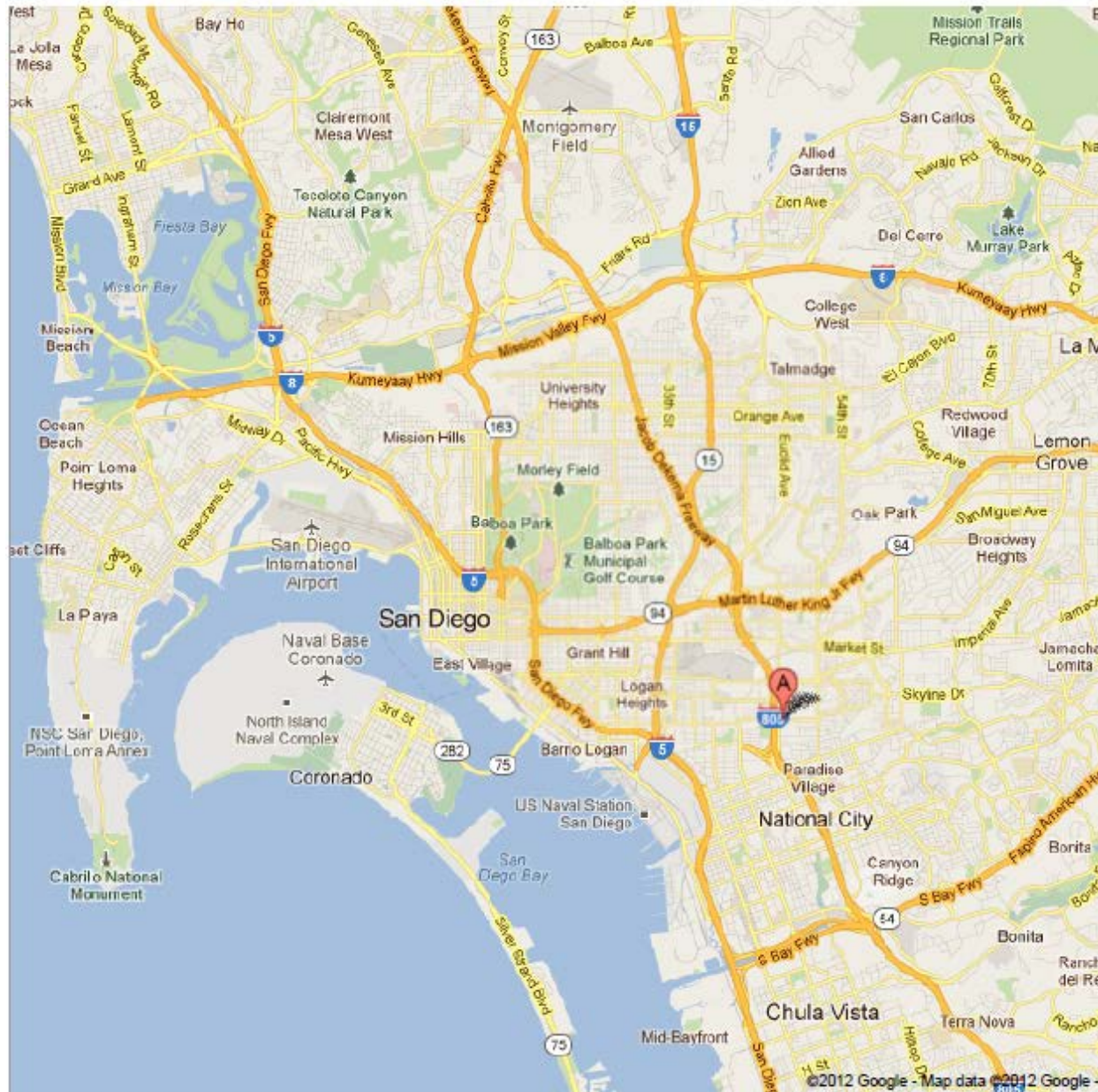
Attachments:

- 1) Property Location Map
- 2) Construction Budget
- 3) Development Summary
- 4) Developer Disclosure Statement\*
- 5) Multifamily Bond Summary
- 6) Financial Advisor's Analysis

\* Distribution of this attachment is limited. A copy is available for review at the San Diego Housing Commission offices at 1122 Broadway, Suite 300 San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101.



# KNOX GLEN - PROPERTY LOCATION MAP



- A. **Knox Glen Town Homes**  
4754 Logan Avenue, San Diego, CA  
(619) 527-7228



## Attachment 2

### CONSTRUCTION COST BREAKDOWN

1 of 5

Date: 11-May-12  
 Project: **Knox Glen Apartments**  
**4720 Logan Avenue**  
**San Diego, CA 92113**

**Non Prevailing Wage**

Unit and Building Breakdown	
9 2 Bed, 1 Bath	27 3 Bed, 2 Bath
1 3 Bed, 1 Bath	14 4 Bed, 2.5 Bath
3 3 Bed, 1.5 Bath	
54 Total Units	16 Buildings
17 Half Bathrooms	1 Laundry
95 Full Bathrooms	1 Community/Office

HUD Line #	Trade	Description	Budget Amount	Per Unit	Unit Quan Desired	Price Each	Total Price	Notes
<b>METAL</b>								
3	Metal	Entry System Tune Up	10,000		1	10,000.00	10,000	Allowance
				10,000.00				
<b>ROUGH CARPENTRY</b>								
4	Rough Carpentry	Replace Perimeter Fence With New Wood Fence (LF)	18,500		1,000	18.50	18,500	Allowance
4	Rough Carpentry	Install New Stair Handrails at Townhouse Units	10,500		42	250.00	10,500	
				29,000.00				
<b>ROOFING</b>								
8	Roof	Install New 20 Year NDL Flat and Shingled Roofs	224,730		18	12,485.00	224,730	Metal Roofs Remain
8	Roof	Downspout Repairs	9,000		18	500.00	9,000	Allowance
				233,730.00				
<b>DOORS</b>								
10	Doors	New Levered Hardware Front Entry Doors	7,290		54	135.00	7,290	
10	Doors	New Levered Hardware Back Patio Doors	5,670		42	135.00	5,670	
				12,960.00				
<b>WINDOWS</b>								
11	Windows	Install New Vinyl Retrofit Windows	197,640		18	10,980.00	197,640	Incl Screens
				197,640.00				
<b>GLASS</b>								
12	Glass	Mirrors - Bathrooms	14,560		112	130.00	14,560	
				14,560.00				
<b>LATH and PLASTER</b>								
13	Lath and Plaster	Stucco Repairs - General and Infill of Fire Extinguisher Boxes	15,000		1	15,000.00	15,000	Allowance
				15,000.00				
<b>DRYWALL</b>								
14	Drywall	Drywall - General Prep - Units	5,130		54	95.00	5,130	
14	Drywall	Drywall - Rounded Ceiling Repairs	13,500		54	250.00	13,500	Allowance
				18,630.00				
<b>FLOORING</b>								
18	Flooring	Install New Sheet Vinyl Flooring at Entry, Kitchen, Dining, and Baths	50,490		54	935.00	50,490	No Sound Barrier
18	Flooring	Install New Carpet In Bedrooms (Includes Furniture Moving)	72,900		54	1,350.00	72,900	
				123,390.00				
<b>PAINTING AND DECORATING</b>								
19	Painting	Painting - Unit Interiors	82,350		54	1,525.00	82,350	
19	Painting	Painting - Exterior	89,280		18	4,960.00	89,280	
				171,630.00				
<b>SPECIALTIES</b>								
20	Specialties	New Medicine Cabinet - Recessed	12,320		112	110.00	12,320	
20	Specialties	Replace Towel Bars	7,230		241	30.00	7,230	

## CONSTRUCTION COST BREAKDOWN

Date: 11-May-12

Project: **Knox Glen Apartments**  
**4720 Logan Avenue**  
**San Diego, CA 92113**

**Non Prevailing Wage**

Unit and Building Breakdown	
9 2 Bed, 1 Bath	27 3 Bed, 2 Bath
1 3 Bed, 1 Bath	14 4 Bed, 2.5 Bath
3 3 Bed, 1.5 Bath	
54 Total Units	16 Buildings
17 Half Bathrooms	1 Laundry
95 Full Bathrooms	1 Community/Office

HUD			Budget	Per	Unit Quan	Price	Total	
Line #	Trade	Description	Amount	Unit	Desired	Each	Price	Notes
20	Specialties	Replace TP Holders	2,800		112	25.00	2,800	
20	Specialties	Remove Existing Shower Doors	7,280		112	65.00	7,280	
20	Specialties	Install Curved Shower Rods, Rings and Curtains	11,875		95	125.00	11,875	
					41,505.00			
CABINETS								
22	Cabinets	Cabinets - Demo and Removal	30,510		54	565.00	30,510	
22	Cabinets	Cabinets - Kitchens and Bathroom	168,480		54	3,120.00	168,480	Includes Pantry, 1 ADA
22	Cabinets	Bathroom Tops With Banjo - Cultured Marble	36,400		112	325.00	36,400	
22	Cabinets	Kitchen Counters - Formica	40,770		54	755.00	40,770	
					276,160.00			
APPLIANCES								
23	Appliances	Install New Vented Range Hood	10,260		54	190.00	10,260	
					10,260.00			
WINDOW BLINDS								
24	Blinds	Replace All Window Blinds With New Vertical Blinds	10,530		54	195.00	10,530	
					10,530.00			
SPECIAL CONSTRUCTION								
26	Special Construction	Regrade and Reinstall Playground Surface	10,000		1	10,000.00	10,000	Allowance
26	Special Construction	Install New Standard 8' X 7' Garage Doors	51,300		54	950.00	51,300	No Openers
					61,300.00			
PLUMBING - HOT WATER								
28	Plumbing	1/4 Turn Angle Stops All Sinks & Toilet	13,320		444	30.00	13,320	
28	Plumbing	Kitchen Double Deep Bowl SS Sink, Faucet, No Angle Stop	21,330		54	395.00	21,330	
28	Plumbing	Provide and Install Disposal	7,020		54	130.00	7,020	
28	Plumbing	Bath Lav Faucet, No Angle Stop	19,600		112	175.00	19,600	
28	Plumbing	Install New Toilet, Wax Ring and Bolt Set	32,480		112	290.00	32,480	1.2 GPF or Dual Flush
28	Plumbing	New Low Flow Shower Heads	4,275		95	45.00	4,275	
28	Plumbing	Resurface Bathtubs	31,825		95	335.00	31,825	
28	Plumbing	Install New ADA Water Fountain	1,650		1	1,650.00	1,650	
28	Plumbing	Fire Sprinkler Repairs	10,000		1	10,000.00	10,000	Allowance
28	Plumbing	Install New Shower Trims and Cartridges	16,150		95	170.00	16,150	
28	Plumbing	Strap Existing Water Heaters As Needed	6,750		54	125.00	6,750	Allowance
					164,400.00			
HEAT AND VENTILATION								
29	HVAC	Inspect All Existing Furnaces and Provide Reports	9,240		56	165.00	9,240	
29	HVAC	Install New HVAC System at Community Room	7,500		1	7,500.00	7,500	Reuse Linesets
					16,740.00			
ELECTRICAL								
31	Electrical	Replace Hardwired Carbon Monoxide Smoke Detectors in Hall	7,560		54	140.00	7,560	
31	Electrical	Replace Hardwired Smoke Detectors	16,960		212	80.00	16,960	

**CONSTRUCTION COST BREAKDOWN**

Date: 11-May-12

Project: **Knox Glen Apartments**  
**4720 Logan Avenue**  
**San Diego, CA 92113**

**Non Prevailing Wage**

Unit and Building Breakdown	
9 2 Bed, 1 Bath	27 3 Bed, 2 Bath
1 3 Bed, 1 Bath	14 4 Bed, 2.5 Bath
3 3 Bed, 1.5 Bath	
54 Total Units	16 Buildings
17 Half Bathrooms	1 Laundry
95 Full Bathrooms	1 Community/Office

HUD			Budget	Per	Unit Quan	Price	Total	
Line #	Trade	Description	Amount	Unit	Desired	Each	Price	Notes
31	Electrical	Install New Arc Faults	16,740		54	310.00	16,740	
31	Electrical	Install New Energy Star Bathroom Fans	23,520		112	210.00	23,520	
31	Electrical	New Kitchen 4 Tube Light Fixtures	10,260		54	190.00	10,260	Energy Star
31	Electrical	Install GFI Outlets - Kitchen	4,860		108	45.00	4,860	
31	Electrical	Add GFI Outlets - Bathroom	5,040		112	45.00	5,040	
31	Electrical	New Dining Room Ceiling Fan at Existing Location	15,660		54	290.00	15,660	Energy Star
31	Electrical	New Inside Entry Light	4,590		54	85.00	4,590	Energy Star
31	Electrical	New Bathroom Light Fixtures	12,320		112	110.00	12,320	Energy Star
31	Electrical	New Front Porch Fixtures	4,320		54	80.00	4,320	Energy Star
31	Electrical	Upgrade Site Lighting With LED Lighting	25,000		1	25,000.00	25,000	Allowance
				146,830.00				
ROADS AND WALKS								
37	Road and Walks	Concrete Demo and Repairs	10,000		1	10,000.00	10,000	Allowance
				10,000.00				
SITE IMPROVEMENTS								
38	Site Improvements	Labor, Clean Up, Tight Site, Etc.	32,400		54	600.00	32,400	
38	Site Improvements	Laundry Room Upgrades	5,000		1	5,000.00	5,000	Allowance
38	Site Improvements	Community Room Upgrades	20,000		1	20,000.00	20,000	Allowance
38	Site Improvements	Leasing Office Upgrades	10,000		1	10,000.00	10,000	Allowance
38	Site Improvements	New Trash Enclosure with Gate at New Location	15,750		1	15,750.00	15,750	
38	Site Improvements	Signs - New Unit and Building Signage	12,000		1	12,000.00	12,000	Allowance
				95,150.00				
LAWNS AND PLANTING								
39	Landscaping	Landscape - Turf Repairs, DG Cover, Plantings	30,000		1	30,000.00	30,000	Allowance
39	Landscaping	Landscape - Irrigation Repairs	10,000		1	10,000.00	10,000	Allowance
				40,000.00				

**CONSTRUCTION COST BREAKDOWN**

Date: 11-May-12

Project: **Knox Glen Apartments**  
**4720 Logan Avenue**  
**San Diego, CA 92113**

**Non Prevailing Wage**

Unit and Building Breakdown	
9 2 Bed, 1 Bath	27 3 Bed, 2 Bath
1 3 Bed, 1 Bath	14 4 Bed, 2.5 Bath
3 3 Bed, 1.5 Bath	
54 Total Units	16 Buildings
17 Half Bathrooms	1 Laundry
95 Full Bathrooms	1 Community/Office

HUD Line #	Trade	Description	Budget Amount	Per Unit	Unit Quan Desired	Price Each	Total Price	Notes
		Cost Per Unit Before General Requirements, Fees and Bond	1,699,415	1,699,415		31,471 (Per Unit)		
<b>GENERAL REQUIREMENTS</b>								
43	General Requirements	General Requirements	101,965					
				101,964.90	6.00%			
		Sub Total Construction Costs	\$1,801,380	\$1,801,380				
45	Overhead	Contractors Overhead - 2%	\$33,988					
46	Profit	Contractors Profit - 6%	\$101,965					
				135,953.20				
		Total Construction Costs	\$1,937,333	\$1,937,333				
50	Other Fees	Bond	\$24,217					
48	Other Fees	Insurance	\$24,217					
48	Other Fees	Permits	By Owner					
				48,433.33				
		Grand Total	\$1,985,766	\$1,985,766				
		Per Unit (54 Units)	\$36,773					

**Alternates Not Included**

Mold, Asbestos, and Lead Based Paint Abatement  
 Site Equipment and Decorator Items  
 Electrical or Plumbing in Garages  
 Fire Alarm System

**NOTE**

One Bedroom Was Bid Using Casement Window Style Due To Egress Issue  
 Appliances To Be Frigidaire And Have 2 Year Warranty

**CONSTRUCTION COST BREAKDOWN**

Date: 11-May-12

Project: **Knox Glen Apartments****4720 Logan Avenue****San Diego, CA 92113****Non Prevailing Wage**

Unit and Building Breakdown	
9 2 Bed, 1 Bath	27 3 Bed, 2 Bath
1 3 Bed, 1 Bath	14 4 Bed, 2.5 Bath
3 3 Bed, 1.5 Bath	
54 Total Units	16 Buildings
17 Half Bathrooms	1 Laundry
95 Full Bathrooms	1 Community/Office

HUD Line #	Trade	Description	Budget Amount	Per Unit	Unit Quan Desired	Price Each	Total Price	Notes
<b>Alternates</b>								
4	Rough Carpentry	Remove Existing and Install New Truewood Perimeter Fence	148,500		3,300	45.00	148,500	
10	Doors	New Metal Security Doors with Hardware	18,360		54	340.00	18,360	
18	Flooring	Install New Laminate Flooring	99,090		54	1,835.00	99,090	
18	Flooring	Carpet Units, Furniture Move Included	89,910		54	1,665.00	89,910	
19	Painting	Painting - Unit Interiors, Adder To Add Accent Wall	6,480		54	120.00	6,480	
22	Cabinets	Cabinets - Hall Face Frame Doors	36,960		42	880.00	36,960	
22	Cabinets	Cabinets - Built In Desks With Wood Tops in Lofts	29,970		54	555.00	29,970	
23	Appliances	Install New 18" Dishwasher	5,340		12	445.00	5,340	Energy Star
23	Appliances	Install New Gas Stove	30,510		54	565.00	30,510	
23	Appliances	Install New Dishwasher	18,690		42	445.00	18,690	Energy Star
23	Appliances	Install New 18 C.F. Refrigerator	31,590		54	585.00	31,590	Energy Star
24	Blinds	Replace All Window Blinds With New 2" Faux Horizontals	17,280		54	320.00	17,280	
26	Special Construction	Install Steel Awnings with Fabric Over Front Door Unit Entries	51,300		54	950.00	51,300	
28	Plumbing	Individually Meter Unit Water; Drywall Work Included	179,010		54	3,315.00	179,010	
28	Plumbing	Install 40 Gallon New Water Heaters, Pans, and Straps	47,790		54	885.00	47,790	Existing Venting
31	Electrical	Install New Existing Can Light Trims	10,800		54	200.00	10,800	
31	Electrical	Install New Bathroom Fan at Existing Box With Humidistat	21,280		112	190.00	21,280	Energy Star
31	Electrical	Install Wireless 4 Camera System with DVR	3,680		1	3,680.00	3,680	
37	Road and Walks	Asphalt Seal Coat and Stripe	38,750		1	38,750.00	38,750	
39	Landscaping	Landscape - Tree Trimming and Stump Removal	18,500		1	18,500.00	18,500	

**ATTACHMENT 3**  
**Development Summary**  
**Knox Glen Townhomes**

**Summary Details**

Location	4754 Logan Avenue, San Diego 92113
Council District	4
Community Planning Area	Encanto
Developer	Housing Development Partners
Project Type	Rehabilitation
Housing Type	Family
Year Built	1996
Number of Units	54
Affordable Units	53
Lot Size/Density	3.21 acres/17 dwelling units per acre
Gross Residential Square Footage	62,021
Retail Space	None
Construction Type	Type V, surface parking
Prevailing Wages	No
Financing Structure	4% Tax Credits/ Bonds
Affordability Term	55 years

**Unit Affordability**

Unit Type	Square Footage	AMI	Number	Restricted Rent	Market Rent	% Below Market
2 Bedroom	678	50%	6	\$865	\$1,245	-30.5%
3 Bedroom	1,179	50%	12	\$956	\$1,239	-22.8%
4 Bedroom	1,383	50%	6	\$1,025	\$1,635	-37.3%
2 Bedroom	678	60%	3	\$1,047	\$1,245	-15.9%
3 Bedroom	1,179	60%	18	\$1,157	\$1,297	-10.8%
4 Bedroom	1,383	60%	8	\$1,235	\$1,635	-24.5%
3 Bedroom	1,179	MGR	1	N/A	N/A	N/A

**Permanent Sources and Uses of Funds**

Sources of Funds	Amount
Housing Bonds (Chase)	\$ 3,359,645
Tax Credits	2,949,468
SDHC Loan (Existing)	2,618,500
Seller Loan	653,967
NOI During Stabilization	250,155
SEDC Loan (Existing)	221,174
Acquired Reserves	87,000
Deferred Developer Fee	53,633
<b>Total</b>	<b>\$10,193,542</b>

Uses of Funds	Amount
Acquisition	\$ 4,900,000
Hard Costs	2,184,367
Financing Costs	844,832
Soft Costs	1,127,559
Developer Fee	1,136,784
<b>Total</b>	<b>10,193,542</b>



Attachment 3: Development Summary  
Knox Glen Townhomes

<b>Cost Analysis</b>	<b>Amount</b>	<b>Per Unit</b>	<b>Per S.F.</b>	<b>Comments</b>
Acquisition Costs	\$4,900,000	\$90,741	\$79	-
Hard Costs	\$2,184,367	\$40,451	\$35	-
Financing Costs	\$844,832	\$15,645	\$14	-
Soft Costs	\$1,127,559	\$20,881	\$18	-
Developer Fee	\$1,136,784	\$21,052	\$18	Deferred until year 2
Total Development Cost	\$10,193,542	\$188,769	\$164	-
SDHC Loan	\$2,618,500	\$48,491	\$42	Existing loan plus accrued interest

<b>Pro Forma Summary Year 1</b>	<b>Amount</b>	<b>Comments</b>
Gross Income	\$688,238	-
Vacancy	\$48,177	7%
Operating Expenses	\$343,070	\$6,353 per unit per year
Replacement Reserves	\$16,200	\$300 per unit per year
Net Operating Income	\$280,791	-
Debt Service	\$233,993	1.20 DCR
Cash Flow	\$46,798	-
SDHC Residual Receipts Payment	\$15,889	Starting in year 3 (46% of residual receipts)

**ATTACHMENT E**

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/  
ENTITY SEEKING GRANT/BORROWERS  
(Collectively referred to as "CONTRACTOR" herein)  
STATEMENT FOR PUBLIC DISCLOSURE**

1. Name of CONTRACTOR: Housing Development Partners
  
2. Address and Zip Code: 1045 9th Avenue, San Diego, CA 92101
  
3. Telephone Number: (619) 670-7050
  
4. Name of Principal Contact for CONTRACTOR: David Allen
  
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0427639
  
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
 

\_\_\_ A corporation (Attach Articles of Incorporation)

☒ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status).

\_\_\_ A partnership known as: \_\_\_\_\_  
(Name)

Check one

( ) General Partnership (Attach statement of General Partnership)

( ) Limited Partnership (Attach Certificate of Limited Partnership)

\_\_\_ A business association or a joint venture known as: \_\_\_\_\_  
(Attach joint venture or business association agreement)

\_\_\_ A Federal, State or local government or instrumentality thereof.

\_\_\_ Other (explain)
  
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
 

June 3rd, 1990

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
- If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
  - If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
  - If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
  - If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
  - If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.(Attach extra sheet if necessary)

Name, Address and Zip Code	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	Rick Gentry, President
Address:	Bobbie Spoon, CFO
	Robert Henderson, Secretary
Name:	Gary Gramling, Board Member
Address:	Sal Salas, Board Member
Name:	
Address:	
Name:	
Address:	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

The following changes were made: 1) Rick Gentry replaced Robert Henderson as President; 2) Robert Henderson replaced Charles Davis as Secretary; 3) Charles Davis stepped down as a board member; 4) HDP modified its bylaws to change from a 7 member board to 5.

+

10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

Name, Address and Zip Code	Position Title (if any) and percent of interest or description of character and extent of interest
Name: <b>N/A - HDP is a public benefit Corporation.</b>	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name, Address and Zip Code	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	Robert Henderson (619) 980-8699
Address:	Sal Salas (619) 709-1860
	Roberta Spoon (619) 234-4173
Name:	Rick Gentry (619) 578-7532
Address:	Gary Gramling (760) 455-4978
Name:	
Address:	
Name:	
Address:	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name, Address and Zip Code	Relationship to CONTRACTOR
Name: San Diego Housing Commission	Affiliated through shared board members: Rick Gentry, Bobbie
Address: 1122 Broadway Street	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

The project will be financed with 4% Low Income Housing Tax Credits, Tax Exempt Bonds, assumed San Diego Housing Commission and Redevelopment Agency loans.

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. In banks/savings and loans:

Name, Address & Zip Code of Bank/Savings & Loan:

US Bank, 600 West Broadway, Suite 100

Balance as of 8/31/2011 - Total of three accounts at US Bank



Amount: \$ 1,724,039

- b. By loans from affiliated or associated corporations or firms:

Name, Address & Zip Code of Bank/Savings & Loan:

N/A


Amount: \$

- c. By sale of readily salable assets/including marketable securities:

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		



17. Names and addresses of bank references, and name of contact at each reference:

Name, Address and Zip Code	Contact Name
Name: US Bank	Graham Duck
Address: 600 West Broadway; Suite 100	(619) 232-6213
San Diego, CA 92101	
Name: Chase	
Address: 707 Broadway, Suite 100	Carmen Perez
San Diego, CA 92101	(619) 702-7641
Name: Centerline Capital Group	Kevin Day
Address: 625 Madison Avenue New York, NY 10022	<del>212-521-6355</del> 
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes ☒ No

If yes, give date, place, and under what name.

---



---



---

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes ☒ No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

---




---



---

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Payment & Performance 	Mason Hotel	09/15/2012	\$2,298,709	Performance

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

- a. Name and addresses of such contractor or builder:

Name, Address and Zip Code	Affiliation
Name: N/A	
Address:	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes ☒ No

If yes, please explain, in detail, each such instance:

N/A

---



---



---

c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$0

General description of such work:

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation.

<b>Project Name</b>	N/A - Have not yet selected general contractor.		
<b>Project Owner Contact Information</b>			
	Name		Address
<b>Project Location</b>			
<b>Project Details</b>			
<b>Bonding Company Involved</b>			
	Name		Amount of Contract
<b>Change Order Details</b>			
<b>Change Order Cost</b>			
<b>Litigation Details</b>			
	Location/Date		Outcome Details

<b>Project Name</b>	N/A	
<b>Project Owner Contact Information</b>		
	Name	Address
<b>Project Location</b>		
<b>Project Details</b>		
<b>Bonding Company Involved</b>		
	Name	Amount of Contract
<b>Change Order Details</b>		
<b>Change Order Cost</b>		
<b>Litigation Details</b>		
	Location/Date	Outcome Details

d. Construction contracts or developments now being performed by such contractor or builder:

Indentification of Contract or Development	Location	Amount	Date to be Completed
N/A			

e. Outstanding construction-contract bids of such contractor or builder:

Awarding Agency	Amount	Date Opened
N/A		

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

Housing Development Partners is uniquely qualified to complete this project. It has over \$1,000,000 of unrestricted cash of which the pre-development budget indicates approximately \$250,000 will be required to reach a closing. The team has deep experience in the development aspects required for this project including a thorough due diligence effort, budgeting, scheduling, assembling and managing consultants which will include an owners representative and third party contractor and managing the design and rehab effort. The team also has deep experience with the required financing steps which will include tax exempt bonds and 4% low income housing tax credits.

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain.

---

---

---

---

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

See attached General Insurance Policy for HDP

---

---

---

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes ☒ No

If yes, explain:

---

---

---

---

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category:

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☒ Comprehensive Form
- ☒ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard
- ☐ Contractual Insurance
- ☒ Broad Form Property Damage
- ☐ Independent Contractors
- ☒ Personal Injury



b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:        Not Applicable

- ☐ Comprehensive Form
- ☐ Owned
- ☐ Hired
- ☐ Non-Owned

c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

          This coverage is provided through SDHC

d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]        See attached Errors and Omissions insurance certificates

e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

          Not Applicable

f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.

So warranted

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

So warranted

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

So warranted

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state:

Government Entity Making Complaining	Date	Resolution
None		

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation. If so, please explain the circumstances in detail. If none, please state:

None

---



---



---



---

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)
None					

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

None

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

N/A

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the COMMISSION, AUTHORITY and/or the CITY within the last five (5) years:

Date	Entity Involved (i.e. City Commission, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
10/21/2010	San Diego Housing Commission	Current (project under construction)	\$1,697,233 (Mason)
11/25/2008	San Diego Housing Commission	Current	\$6,144,980 (Courtyard)

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes ☒ No

If yes, explain:

---

---

---

---

---

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes ☒ No

If yes, explain:

---

---

---


---

---

38. List three local references who would be familiar with your previous construction project:

1. Name: David Whitehead, Allgire Construction

Address: 3278 Grey Hawk Court | Carlsbad, CA 92010 


Phone: 760 477 8455 

Project Name and Description: Mason Hotel General Contractor

---

2. Name: Michelle Pruitt, Hyder Property Management

Address: 1649 Capalina Rd # 500 San Marcos, CA 92069 

Phone: 858-395-7536 Cell 

Project Name and Description: Knox Glen Property Management Company

---

3. Name: Cherri Hoffman, Chelsea Investment Corp

Address: 5993 Avenida Encinas, Suite 101 Carlsbad, CA 92008

Phone: (760) 456-6000, ext. 106

Project Name and Description: Courtyard Terraces Management Company

---

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

Housing Development Partners is uniquely qualified to complete this project. It has over \$1,000,000 of unrestricted cash of which the pre-development budget indicates that approximately \$250,000 will be required to reach a closing. The team has deep experience in the development aspects required for this project. The team also has deep experience with the required financing steps which will include tax exempt bonds and 4% low income housing tax credits.



40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
Not yet selected.	

**ATTACHMENT 5**  
**HOUSING COMMISSION MULTIFAMILY**  
**HOUSING REVENUE BOND PROGRAM**  
**Summary**

**General Description:** The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

**Bond Issuer:** Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City’s faith, credit or taxing power nor of the Housing Authority’s faith or credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

**Affordability:** Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

**Rating:** Generally “AAA” or its equivalent with a minimum rating of “A” or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support (“credit enhancement”) by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

**Approval Process:**

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts an “Inducement Resolution” to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.
- **TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982):** To assure that projects making use of tax-exempt financing meet



appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

- **Application for Bond Allocation:** The issuance of these “private activity bonds” (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- **Final Bond Approval:** The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- **Funding and Bond Administration:** All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

**Bond Disclosure:** The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.



**The PFM Group**

Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

50 California Street  
Suite 2300  
San Francisco, CA 94111

415 982-5544  
415 982-4513 fax  
www.pfm.com

**Attachment 6**

August 31, 2012

Ms. Ann Kern  
Mr. Peter Armstrong  
San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101

RE: Actions related to the proposed issuance of approximately \$4.9 million Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds (“the Bonds”) in connection with the rehabilitation of the Knox Glen Townhomes.

Dear Ms. Kern and Mr. Armstrong:

You have asked Public Financial Management, Inc. (“PFM”) to review the proposed financing and recommend whether, in our judgment, it is reasonable for the Housing Authority of the City of San Diego (the “Authority”) to issue tax-exempt multifamily housing revenue bonds for the rehabilitation of the 54-unit Knox Glen Townhomes (the “Project”) by Housing Development Partners (“HDP” or the “Developer”) at 4754 Logan Avenue in southeastern San Diego. In preparing this report we have reviewed financial projections and background information provided by the Developer and the San Diego Housing Commission (the “Commission” or “SDHC”).

The specific findings this report addresses are:

- Whether the issuance of the Bonds will achieve a public purpose by creating or preserving affordable housing.
- Whether the Authority will avoid undue financial risk in undertaking the financing.
- Whether the Project will be able to meet debt service payments after the proposed financing.

As described below, we find that all of the conditions are met and therefore recommend that the Authority authorize the issuance of the Bonds.

**DESCRIPTION OF THE PROJECT**

Knox Glen is a 54-unit multifamily project located at 4754 Logan Avenue in southeastern San Diego. The property was built in 1996 by HDP in partnership with Centerline Capital. Knox Glen was originally financed with a conventional loan from Chase Bank, a deferred payment loan from the Federal Home Loan Bank of San Francisco (“FHLB”), residual receipts loans from both the San Diego Housing Commission and the Southeastern Economic Development Corporation (“SEDC”), and 9 percent tax credit equity provided by Centerline Capital.

Funds for the rehabilitation of Knox Glen will be raised through a refinancing. The original Chase loan, which has an interest rate of 8.74%, will be paid off and replaced with a tax-exempt bond loan; the SDHC and SEDC loans will be assumed by Logan Development II, L.P., a new limited partnership established by HDP; the FHLB loan was forgiven in December 2011.



In December 2011 HDP completed the acquisition of Centerline Capital's equity interest in Knox Glen. As part of this refinancing, HDP has obtained a new allocation of non-competitive 4 percent low income housing tax credits.

The proposed rehabilitation, based on a capital needs assessment conducted by EMG as part of due diligence, indicates that there is approximately \$1,699,434 in rehabilitation needs. Total construction costs are estimated to be \$2,184,367 (\$40,451 per unit).

### **THE BORROWER**

The borrower and Project owner will be Logan Development II, L.P. HDP will act as the managing general partner of Logan Development II, L.P. HDP is a nonprofit affiliate of the SDHC formed by SDHC in 1990. HDP is governed by a five-member board including the CEO of SDHC and two members of the SDHC Board. There are also two at-large members appointed to two-year terms by the SDHC Board.

In its 22 years of existence, HDP has been involved in 6 multifamily development or rehabilitation projects, comprising a total of 789 units. HDP retains ownership over all 789 units, and currently manages 146 of these units.

### **THE FINANCING**

Approximately \$4.9 million in conduit multifamily housing revenue bonds will initially be issued to support the construction financing of the Project. Proceeds of the Bonds will be used to make a loan to the Project which, together with other monies, will be used to fund acquisition and rehabilitation costs. Upon conversion to permanent financing, a portion of the bonds will be paid down from other financing sources and the amount of outstanding bonds will be reduced to approximately \$3.4 million to align with the Project's estimated net operating income. The Series 2012-A Bonds will be issued as fixed rate bonds and purchased directly by a private institution. The developer has secured a commitment to purchase the bonds from JPMorgan Chase Bank, N.A. ("Chase"). The Bonds will have a 30-year amortization and will be privately placed in late October.

The Project has an estimated total cost of \$10,193,541. In addition to the Bonds, the Project will also be financed with tax credits (\$2,949,468), a partial deferral of the Developer's fee (\$53,632), replacement reserves that will transfer to the new tax credit partnership upon closing (\$87,000), the outstanding SDHC and SEDC notes (\$2,618,500 and \$221,174, respectively), construction period income (\$250,155) and a seller note (\$653,967), which is equal to the difference between the appraised value of the Project and the remaining balance on the debt.

As part of its arrangement with HDP, SDHC has agreed to subordinate its existing loan and accrued interest to the new tax-exempt bond loan. In return, SDHC will have the option to purchase the property at the end of the 15-year tax credit compliance period.

The financing is currently scheduled to close in late October. Sources and uses of funds are shown in Table 1 on the following page.



**TABLE 1**  
**KNOX GLEN TOWNHOMES**  
**SOURCES AND USES OF FUNDS**

<b>SOURCES OF FUNDS</b>	
Tax-Exempt Bond Proceeds	\$3,359,645
LIHTC Proceeds	\$2,949,468
Acquired Reserves	\$87,000
SDHC Note	2,618,500
SEDC Note	\$221,174
Seller Note	\$653,967
Deferred Developer Fee	\$53,632
Construction Period Income	<u>\$250,155</u>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$10,193,541</b>
<b>USES OF FUNDS</b>	
Acquisition Costs	\$4,900,000
Construction Costs	\$2,184,367
Permits & Fees	\$200,000
A & E	\$158,900
Due Diligence	\$54,350
Financing Costs	\$477,662
Reserves	\$204,000
Bond & Tax Credit Costs	\$127,170
Other Soft Costs	\$750,308
Developer Fee	<u>\$1,136,784</u>
<b>TOTAL USES OF FUNDS</b>	<b>\$10,193,541</b>

### ACHIEVING PUBLIC PURPOSE

Through the proposed bond issuance, Knox Glen Townhomes will provide housing for low- and very-low income households for a minimum of 55 years. Under the requirements for bond and tax credit financing, the Project will restrict 45% of the units (24 in total) for households earning no greater than 50% of Area Median Income (“AMI”) and 55% of the units (29 in total) to households earning no greater than 60% of AMI. Maximum bond rents for the Project are summarized in the following table:

Type	AMI	Number of Units	Restricted Rent	Market Rate	Monthly Savings per unit
2 BR FLAT	50%	6	\$865	\$1,245	\$380
2 BR FLAT	60%	3	\$1,047	\$1,245	\$198
3 BR FLAT	50%	3	\$956	\$1,239	\$283
3 BR FLAT	MGR*	1	\$0	\$0	\$0
3 BR TH	50%	9	\$956	\$1,297	\$341
3 BR TH	60%	18	\$1,157	\$1,297	\$140
4 BR TH	50%	6	\$1,025	\$1,635	\$610
4 BR TH	60%	8	\$1,235	\$1,635	\$400
<b>Total</b>		<b>54</b>			<b>\$16,172</b>
<b>Total Annual Savings</b>					<b>\$194,064</b>

\* Manager's Unit is excluded from savings calculation because it will not generate rental income



## MEETING DEBT SERVICE AFTER THE FINANCING

As shown below in Table 2, the Project will have ample cash flow to meet debt service upon completion of construction and rent-up. Based upon the Developer's initial cash flow estimates, there would be \$280,791 of net operating income available for debt service in the first full year of stabilization. This amount would provide bond debt service coverage of at least 1.20 times. By the fifth year, assuming a 2.5% annual increase in gross income and a 3.5% annual increase in expenses, debt service coverage would increase to 1.26 times.

**TABLE 2**  
**KNOX GLEN**  
**ESTIMATED CASH FLOW**

Principal Amount of Senior Bonds: \$3,359,645

	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Income	\$679,908	\$696,906	\$714,328	\$732,187	\$750,491
Plus: Other Income	\$8,330	\$8,538	\$8,752	\$8,970	\$9,195
Less: Vacancy	(\$48,177)	(\$49,381)	(\$50,616)	(\$51,881)	(\$53,178)
Effective Gross Income <sup>1</sup>	\$640,061	\$656,063	\$672,464	\$689,276	\$706,508
Less: Operating Expenses	(\$359,270)	(\$371,845)	(\$384,859)	(\$398,329)	(\$412,271)
Net Operating Income	\$280,791	\$284,218	\$287,605	\$290,947	\$294,237
Less: Bond Debt Service <sup>2</sup>	(\$233,993)	(\$233,993)	(\$233,993)	(\$233,993)	(\$233,993)
Net Cashflow	\$46,798	\$50,225	\$53,612	\$56,954	\$60,244
Debt Service Coverage <sup>3</sup>	1.20	1.21	1.23	1.24	1.26

<sup>1</sup>First stabilized year cash flow estimated by owner

<sup>2</sup>Amortized over 30 years at a 5.70% underwriting rate

<sup>3</sup>Calculated by dividing net operating income by debt service

## FINANCIAL RISKS

There will be no undue risk to the Authority. The Bonds will be placed with a sophisticated institutional buyer and are subject to restrictions consistent with the Commission's policy on unrated debt. The borrower has agreed to pay all costs of issuance for the financing and to indemnify the City, the Authority and the Commission regarding matters relating to the financing. It should be noted that the borrower will have no significant assets or sources of income other than the Project and is not required under most circumstances to make up any cash flow shortfalls.



## CONCLUSION

Based upon our review, we recommend that the Authority proceed with the issuance of the Bonds. This recommendation is based upon the following findings:

- The Bonds would achieve a public purpose by providing 54 affordable units, with 24 units affordable at 50% or less of AMI and 29 units affordable at 60% of AMI.
- The borrower has agreed to indemnify the City, the Authority and the Commission regarding any matters relating to the financing. The borrower will pay all costs of the financing.
- Based upon estimates by the Developer that have been reviewed and confirmed by the bond purchaser, there are sufficient funds to complete the Project, and the Project provides adequate debt service coverage.

If there is any additional information you require concerning this matter, we will be glad to provide it as a supplement to this report.

Sincerely,  
**Public Financial Management, Inc.**

A handwritten signature in blue ink, which appears to read "Robert T. Gamble", is positioned above the printed name.

Robert T. Gamble  
Senior Managing Consultant