



REPORT

DATE ISSUED: November 23, 2016

REPORT NO: HCR16-092

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of December 2, 2016

SUBJECT: New Palace Hotel - Loan Recommendation and Preliminary Bond Authorization

COUNCIL DISTRICT: 3

REQUESTED ACTION

Approve a residual receipts loan and take the initial steps to issue Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds, which are allocated by the State, to facilitate the acquisition, rehabilitation, and preservation of the New Palace Hotel, an 80-unit multifamily affordable rental housing development for homeless seniors located at 1814 5th Avenue, San Diego, which will remain affordable for 55 years.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions, as described in this report:

1. Approve a Housing Commission residual receipts loan of up to \$3,100,000 to HDP New Palace, L.P., a California limited partnership, to facilitate the proposed rehabilitation of the New Palace Hotel (New Palace), an 80-unit multifamily affordable rental housing development for homeless seniors located at 1814 5th Avenue, San Diego, which will remain affordable for 55 years..

The Housing Commission's proposed loan would be contingent upon the developer receiving all necessary third-party funding commitments, including a California Tax Credit Allocation Committee (TCAC) award of approximately \$7,439,997 of 4 percent tax credits, an approximate \$4,497,317 tax-exempt bonds financed loan, a loan from Civic San Diego (Civic), as well as additional funds from other third-party sources as described in this report. Such third-party funding commitments would be subject to the Housing Commission's General Counsel's approval.

2. Approve initial steps to issue Housing Authority tax-exempt Multifamily Housing Revenue Bonds, which are allocated by the State, for New Palace, including:
 - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$14,000,000 in tax exempt Multifamily Housing Revenue Bonds for the rehabilitation of New Palace;
 - b. Authorize an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount of up to \$14,000,000 for New Palace;
 - c. Approve a bond financing team of Quint and Thimmig LLP as bond counsel, and The PFM Group as bond financial advisor;

- d. Request that the City Council hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and adopt a resolution approving the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount of up to \$14,000,000; and
3. Authorize the Executive Vice President & Chief of Staff, or his designee:
 - a. To execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of General Counsel;
 - 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 \$3,100,000 maximum loan amount may not increase; and
 - c. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the Executive Vice President & Chief of Staff, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel.

SUMMARY

A development summary is at Attachment 1.

Table 1 –Development Details

Address	1814 5 th Avenue
Council District	3
Community Plan Area	Bankers Hill/Park West neighborhood of Uptown Community Planning Area
Developer	Housing Development Partners (HDP)
Development Type	Acquisition with rehabilitation
Construction Type	Type V, wood frame, stucco construction
Parking Type	There is no on-site parking and no vehicular access.
Housing Type	Multifamily (three-story structure)
Lot Size	.34 acres, 15,000 square feet (rectangular in shape)
Units	80 (79 units affordable)
Density	235 dwelling units per acre (80 units ÷ .34 acres)
Unit Mix	79 affordable studios and one manager's studio unit
Gross Building Area	34,563 sq. ft. (including 16,635 sq. ft. residential, 15,688 sq. ft. common area, and 2,240 sq. ft. commercial space)
Net Rentable Area	16,635 square feet (apartments total)
Project-Based Housing Vouchers	79 dedicated for homeless seniors

The Development

New Palace is an 80-unit existing apartment building constructed in the early 1900s and rebuilt in 1991 after a severe fire. It is located at 1814 5th Avenue, (corner of 5th Avenue and Elm Street) (Attachment 2 - site maps). New Palace is a three-story building with a basement and elevator service. There is no on-site parking, which is allowed for Single-Room Occupancy (SRO) developments. Housing Development Partners (HDP), the Housing Commission's nonprofit affiliate, intends to convert the

existing 80 SRO units into 79 rehabilitated affordable studios and an unrestricted manager's studio. Site amenities include: a patio, a landscaped courtyard, a lounge/lobby area, a media room, a dining/community room, and a basement laundry area. The building also includes fire sprinklers, as well as three vacant commercial spaces. Unit amenities will include: a bed, a dresser, refrigerator, stove, microwave, garbage disposal, and air conditioning. Security features will include: security cameras, emergency pull cord, and front desk clerical staff Thursday evening to Sunday evening. Bus service is available nearby on 4th and 5th avenues. The property is a 14,985-square-foot corner lot. Nearby development includes a parking lot, office building, retail store, a hotel and offices.

Prior Actions

In 1992, the then-owner, Fifth Avenue Corp/Downtown Senior Center, received \$1,270,870 of 9 percent tax credits for New Palace. TCAC's original affordability restrictions remain on all 80 SRO units for 30 years (until 2022) at an estimated 40 percent of San Diego Area Median Income (AMI), approximately \$23,800 a year for an individual. In January 2016, HDP purchased New Palace from Downtown Senior Center. HDP's purchase financing included a loan from the Local Initiatives Support Corporation (LISC). The Housing Commission has provided 79 Project-Based Housing Vouchers for homeless seniors at New Palace.

Developer's Request

HDP submitted a request for a Housing Commission residual receipts loan of \$3,100,000 and Housing Authority issuance of up to \$14,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

Building Conditions/Proposed Rehabilitation Work

HDP intends to complete a comprehensive/substantial renovation of New Palace. In June 2015 HDP engaged EM Group to conduct a Capital Needs Assessment (CNA) for the property. An estimated rehabilitation summary is at Attachment 3. The current estimate of rehabilitation costs is \$7,479,274 (\$93,491/unit). This amount includes estimated costs to: add kitchenettes to each unit to convert the SROs into studios; upgrade existing building systems to extend useful life; add new bathroom fixtures; update fire/life safety components; provide full roof replacement; and paint the interior and exterior of the building. The Housing Commission engaged a third-party consultant, Gordian Group/R.S. Means, to review and confirm the estimated rehabilitation costs.

New Palace will be rehabilitated in conformance with TCAC minimum energy efficiency standards for rehabilitation projects, which require demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions. The commercial space will not be improved. The Multifamily Housing Revenue Bonds proceeds cannot be used for commercial space improvements. Allgire General Contractors Inc. has worked with HDP for pre-development scope of work estimates. HDP intends to enter into a construction contract with Allgire General Contractors (Allgire) following the contractor's solicitation of at least three bids from subcontractors and suppliers to ensure competitive pricing.

Appraisal and Sale Price

An October 17, 2016, the appraisal, completed by Froboese Realty Group Inc., which holds an MAI appraiser designation from the Appraisal Institute, provided an "as-is" market value at \$7,520,000. HDP as owner is proposing to sell the property to HDP New Palace L.P.

\$7,520,000 Proposed sale to HDP New Palace L.P.
-5,799,261 HDP Payoff of LISC existing bridge loan
\$1,740,739 subtotal
- 1,740,739 HDP proposed seller carryback note
\$ 0 Balance

Prevailing Wages

HDP's use of Project-Based Housing Vouchers will require payment of Federal Prevailing wages.

Relocation

As of August 2016, 11 units at New Palace were vacant. HDP does not anticipate any permanent relocation of tenants. However, rehabilitation work may require temporary relocation. Relocation will comply with the Federal Uniform Relocation Act. EPIC Land Solutions Inc. has completed a proposal to provide relocation services. HDP's pro forma budgets \$552,645 for temporary relocation costs (\$510,000 relocation costs [\$6,375/unit] + \$42,645 relocation study = \$552,645).

Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units, with an additional 4 percent of the units accessible to residents with visual and/or hearing impairment. However, due to building space limitations HDP's architect will request TCAC approval to use only the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program (HOME) and Project-Based Housing Voucher accessibility requirement of wheelchair accessibility in 5 percent of the units, plus an additional 2 percent of the units accessible to residents with visual and/or hearing impairment.

Development Team

HDP is a California 501(c) (3) nonprofit public benefit corporation, which was incorporated in April 1990 and is an affiliate of the Housing Commission. 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 is an experienced developer and has successfully participated in affordable housing developments throughout San Diego. HDP has developed 1,053 units of affordable rental housing, including multiple affordable developments utilizing Housing Commission loans. Three recent developments are:

- Hotel Churchill, at 827 C Street, a 73-unit rehabilitation development, completed in 2016, with a \$6,106,609 Housing Commission loan and a \$9,289,800 Moving-to-Work grant;
- Courtyard Terraces, at 4321 52nd Street, an 88-unit new construction development for seniors, completed in 2010, with a \$6,000,000 Housing Commission loan; and
- Mason Hotel, at 1337 5th Avenue, a 17-unit rehabilitation development, completed in 2011, with \$2,664,141 of Housing Commission loans.

HDP's previous Housing Commission loans are in full compliance. Based upon the developer's past experience and past performance, Housing Commission staff has determined that the developer has the requisite capacity to successfully complete the proposed rehabilitation. HDP New Palace Management, LLC, a California limited liability company, will act as the borrower's Managing General Partner (Attachment 4 – organization chart).

Property Management and Supportive Services

New Palace is managed by SK Management (SK). SK has substantial experience as a manager of affordable housing, including properties for seniors, with Project-Based Housing Vouchers, and with tax credits. Serving Seniors (previously known as Senior Community Center) will provide resident supportive services, such as accessing health care options and retirement benefits, providing legal and entitlement referrals, finding transportation resources, connecting residents to community events, providing medical education and referrals, and one-on-one supportive services as needed. Serving Seniors operates the Gary and Mary West Senior Wellness Center at 1525 4th Avenue, located three blocks from New Palace.

Table 2 Development Team Summary

<u>ROLE/FIRM</u>
Proposed new owner - HDP New Palace L.P., a California limited partnership
Limited partnership - Managing Partner - HDP New Palace Management L.L.C. Tax Credit Investor - to be selected
Architect - Studio E Architects
General contractor – Allgire General Contractor
Property manager - SK Management
Relocation consultant - EPIC Land Solutions Inc.
Tenant services provider - Serving Seniors
Construction & permanent lender - To be selected

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 5.

FINANCING STRUCTURE**Permanent Sources and Uses of Financing**

The estimated total development costs and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 6) and summarized below.

Table 3 – New Palace Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (multifamily mortgage revenue bonds)	\$4,497,317	Acquisition:	\$7,520,000	\$94,000
Housing Commission proposed loan	3,100,000	Hard costs	7,479,274	93,491
California Housing Finance Agency (CalHFA) Special Needs Housing Program (SNHP) loan	1,400,000	Architect/Engineering - \$ 414,189 Permits & fees - 100,000 Third party reports - 167,010 Other soft costs - +1,415,519 Subtotal - 2,096,718	2,096,718	26,209
Civic San Diego loan	1,960,000	Financing	1,047,447	13,093
HDP/Seller's Note	1,740,739	Bonds and tax credit costs	265,919	3,324
HDP Deferred Fee	1,212,691	Reserves	489,386	6,117
Four percent tax credit equity	7,439,997	Developer fee	2,500,000	31,250
Existing Replacement Reserves	48,000			
Total Development Cost	\$21,398,744	Total Development Cost (TDC)	\$21,398,744	\$267,484

The proposed Housing Commission residual receipts loan will be funded with up to \$3,100,000 from the HOME funds, awarded to the City of San Diego and administered by the Housing Commission, and the

City of San Diego's Affordable Housing Fund (Inclusionary Housing Fee and Housing Impact Fee, also known as Linkage Fee), which is administered by the Housing Commission. A final determination of Housing Commission funding sources will be made by the Housing Commission's Executive Vice President & Chief of Staff, or designee, contingent upon budget availability. The Housing Commission's proposed loan terms are summarized at Attachment 7.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators which were used to evaluate the proposed development and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$21,398,744 \div 80 \text{ units} =$	\$267,484
Housing Commission Subsidy Per Unit	$\$3,100,000 \div 80 \text{ units} =$	\$38,750
Acquisition Cost Per Unit	$\$7,520,000 \div 80 \text{ units} =$	\$94,000
Gross Building Square Foot Hard Cost	$\$7,479,274 \div 34,563 \text{ sq. ft.} =$	\$216
Net Rentable Square Foot Hard Cost	$\$7,479,274 \div 16,635 \text{ sq. ft.} =$	\$450

Project Comparison Chart

There are multiple factors and variables that influence the cost of developing multifamily affordable rental housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. For the New Palace acquisition and rehabilitation, there are no recent, projects comparable in size and scope of work.

Developer Fee

HDP is proposing a \$2,500,000 developer fee with \$1,212,691 deferred.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds. The developer plans to submit a bond allocation application to CDLAC for its December 2016 bond allocation meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the development. The developer will be seeking a CDLAC bond allocation of up to \$14,000,000. The developer proposes to issue the bonds through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego's (City) ordinance on bond disclosure.

The developer proposes that the bonds will be used for acquisition, rehabilitation and permanent financing. The Housing Commission staff will later return to both the Housing Commission and Housing Authority for approval of the final bond amount. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 8. Staff recommends assigning Quint & Thimmig L.L.P. as Bond Counsel and the PFM Group as Financial Advisor. These proposed financing team members have been selected in accordance with the existing policy. Financial Advisors and Bond Counsels are designated on a rotating basis from firms selected under the program through a competitive Request for Proposal process.

AFFORDABLE HOUSING IMPACT

In February 2016, HDP signed a two-year Section 8 Project-Based Housing Vouchers Housing Assistance Payment Contract (HAPC) for 79 Project-Based Housing Vouchers provided by the Housing Commission and targeted to seniors (age 55 and over) who are homeless. Under this Project-Based Housing Voucher program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a contract rent level approved by HUD. The Housing Assistance Payment (HAP) provides a rental subsidy for qualifying residents under the Project-Based Housing Voucher program. After the initial two-year HAP contract expires, the HAP contract will be renewed for a 13-year term. New Palace is currently subject to TCAC's 1992 9 percent tax credits affordability. Under the proposed loan, the development will be subject to a Housing Commission Declaration of Covenants and Restrictions in addition to applicable tax credit and bond regulatory agreements that will restrict the affordability of 79 units for 55 years. Housing Commission financing requires affordability of 79 units for 55 years. The project's 79 units will be affordable to tenants with income levels ranging from 30 percent of Area Median Income (AMI), \$17,850 a year for a one-person household, to 60 percent of AMI, \$35,700 a year for a one-person household.

Table 5 New Palace Affordability and Monthly Estimated Rent Table

Affordability Mix	Studios/1 Bath Units (157 to 301 sq. feet)	
	Units	Estimated Rent *
30% AMI tax credit units	24	\$942
50% AMI tax credit units	23	\$942
60% AMI tax credit units	32	\$942
Manager's unrestricted unit	1	--
Combined Total Units	80	

* Based on Section 8 Project Based Rent.

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2017 Budget. Approving this action will result in the development of 79 affordable rental housing units.

Funding sources approved by this action will be as follows:

- HOME Investment Partnership funds - up to \$2,500,000
- Housing Impact Fee/ Linkage Fee funds - up to \$100,000
- Inclusionary Housing Fee funds - up to \$500,000
- Bond Issuance Fees - \$35,000

Total Funding Sources - up to \$3,135,000

Funding uses approved by this action will be as follows:

- Loans - up to \$3,100,000
- Administrative Costs - \$35,000
- Total Funding Uses - up to \$3,135,000

Approving this action will further grant the Executive Vice President & Chief of Staff, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission. Should this occur, funding substitutions will be memorialized in an Informational Report at the next scheduled Housing Commission Board meeting. There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority associated with the requested bond actions. Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. The bonds will not constitute a debt of the City of San Diego. If bonds are ultimately issued for the project, the bonds will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's .0025 bond amount issuer fee (estimated at \$35,000 with a \$14,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at \$10,000) with an estimated \$4,497,317 outstanding bonds amount at permanent financing conversion.

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
• Housing Authority for preliminary approval	• December 13, 2016
• City Council IRS-required TEFRA hearing	• December 13, 2016
• TCAC 4 percent tax credit application	• December, 2016
• CDLAC bond allocation application	• December, 2016
• CDLAC and TCAC allocation meetings	• Estimated March 15, 2017
• Housing Commission final bond authorization	• Estimated April 2017
• Housing Authority final bond authorization	• Estimated May 2017
• Bond issuance and escrow closing	• Estimated June 2017
• Start of construction work	• Estimated July 2017
• Completion of construction work	• Estimated July 2018

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On December 10, 1990, the San Diego City Council adopted Resolution R-277003 for the Housing Commission to administer \$250,000 from the City's Community Development Block Grant (CDBG) funds for the Downtown Senior Center's (DSC) reconstruction of the New Palace Hotel. The \$250,000 was originally structured as a loan to DSC. In 2015 the loan and accrued interest were forgiven.

On October 27, 2016, the Housing Commission's Real Estate Committee approved a recommendation to forward this report to the Housing Commission Board for consideration.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On November 1, 2016, HDP presented the project to the Uptown Community Planning Group. A presentation to the Bankers Hill West Community Group is planned for November 17, 2016.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders for this project include: the residents of New Palace, HDP as seller/developer, and managing member of the borrower HDP New Palace LLC, LISC as the bridge-funds lender, the California Housing Finance Agency (CalHFA) as a Special Needs Housing Program (SNHP) lender, the County of San Diego as an administrator of the SNHP program, the residents of the Bankers Hill/Park West neighborhood, and the Housing Commission as a proposed lender. The property rehabilitation is expected to have a positive impact on the community because it will preserve existing affordable housing for downtown seniors.

ENVIRONMENTAL REVIEW

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because the Project is an existing facility and the proposed actions do not involve expansion of the existing use.

This project may be partially funded with federal HOME Investment Partnership program (HOME) funds. A final reservation of HOME funds shall occur only upon satisfactory completion of environmental review under the National Environmental Policy Act (NEPA) and after the City's receipt of a release of funds from HUD if applicable. The Housing Commission and the developer agree that the provision of any HOME funds to the project is conditioned on the City's determination to proceed with, modify, or cancel the project, based on the results of a subsequent environmental review under NEPA.

HDP Conflict Disclosure Statement:

HDP's Board of Directors includes the President and CEO of the Housing Commission, Commissioner Gary Gramling, Commissioner Roberta Spoon, and community members. The current HDP Board consists of five members. Commissioner Gramling and Commissioner Spoon, and CEO of the Housing Commission, Richard C. Gentry, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c) (3) corporation. Commissioner Gramling, Commissioner Spoon, and CEO Gentry receive no compensation for their service on the Housing Development Partners Board of Directors. 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. Furthermore, none of HDP's board members has a financial interest in this development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et. seq. because a 501(c) (3) non-profit corporation is not a business entity for the purposes of state law and because HDP has been determined to be a public agency by the Ethics Commission for local conflict law purposes and/or the Housing Commission's Conflict of Interest Code. 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. This disclosure shall be and is hereby documented in the official records of the Housing Commission. Further, HDP may form an affiliated limited


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partnership or LLC and under such a scenario, HDP will be the managing general partner for its affiliated limited partnership or LLC. The borrower HDP New Palace L.P.'s affiliated managing general partner is planned to have the same makeup as the HDP Board and Commissioners Gramling, Spoon and CEO Gentry will all have non interests with any affiliated limited partnership or LLC, the form of the entity shall be as approved by the General Counsel of the San Diego Housing Commission, however. This disclosure shall be and is hereby documented in the official records of the Housing Commission.

Respectfully submitted,



J.P. Correia
Real Estate Project Manager
Real Estate Division

Approved by,



Michael Pavco
Senior Vice President
Real Estate Division

- Attachments:
1. Development Summary
 2. Site Maps
 3. Rehabilitation Summary
 4. Organization Chart
 5. Developer Disclosure Statement
 6. Developer's Pro Forma
 7. Proposed Loan Terms
 8. Multifamily Bond Program Summary

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Public Meetings" section of the San Diego Housing Commission website at www.sdhc.org

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 –Development Details

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Table 2 Development Team Summary

<u>ROLE/FIRM</u>
Proposed new owner - HDP New Palace L.P., a California limited partnership
Limited partnership - Managing Partner – HDP New Palace Management L.L.C. Tax Credit Investor – to be selected
Architect - Studio E Architects
General contractor - To be selected
Property manager - SK Management
Relocation consultant - EPIC Land Solutions Inc.
Tenant services provider - Serving Seniors
Construction & permanent lender - To be selected

Table 3 – New Palace Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
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Housing Commission proposed loan	3,040,000	Hard costs	7,479,274	93,491
California Housing Finance Agency (CalHFA) Special Needs Housing Program (SNHP) loan	1,400,000	Architect/Engineering - \$ 414,189 Permits & fees - 100,000 Third party reports - 167,010 Other soft costs - +1,469,209 Subtotal - 2,150,408	2,150,408	28,891
Civic San Diego loan	1,960,000	Financing	961,875	12,023
HDP/Seller's Note	1,740,739	Bonds and tax credit costs	234,568	2,932
HDP Deferred Fee	1,105,495	Reserves	488,734	6,109
Four percent tax credit equity	7,386,388	Developer fee	2,500,000	31,250
Total Development Cost	\$21,334,859	Total Development Cost (TDC)	\$21,334,859	\$266,686

Table 4 - Key Performance Indicators

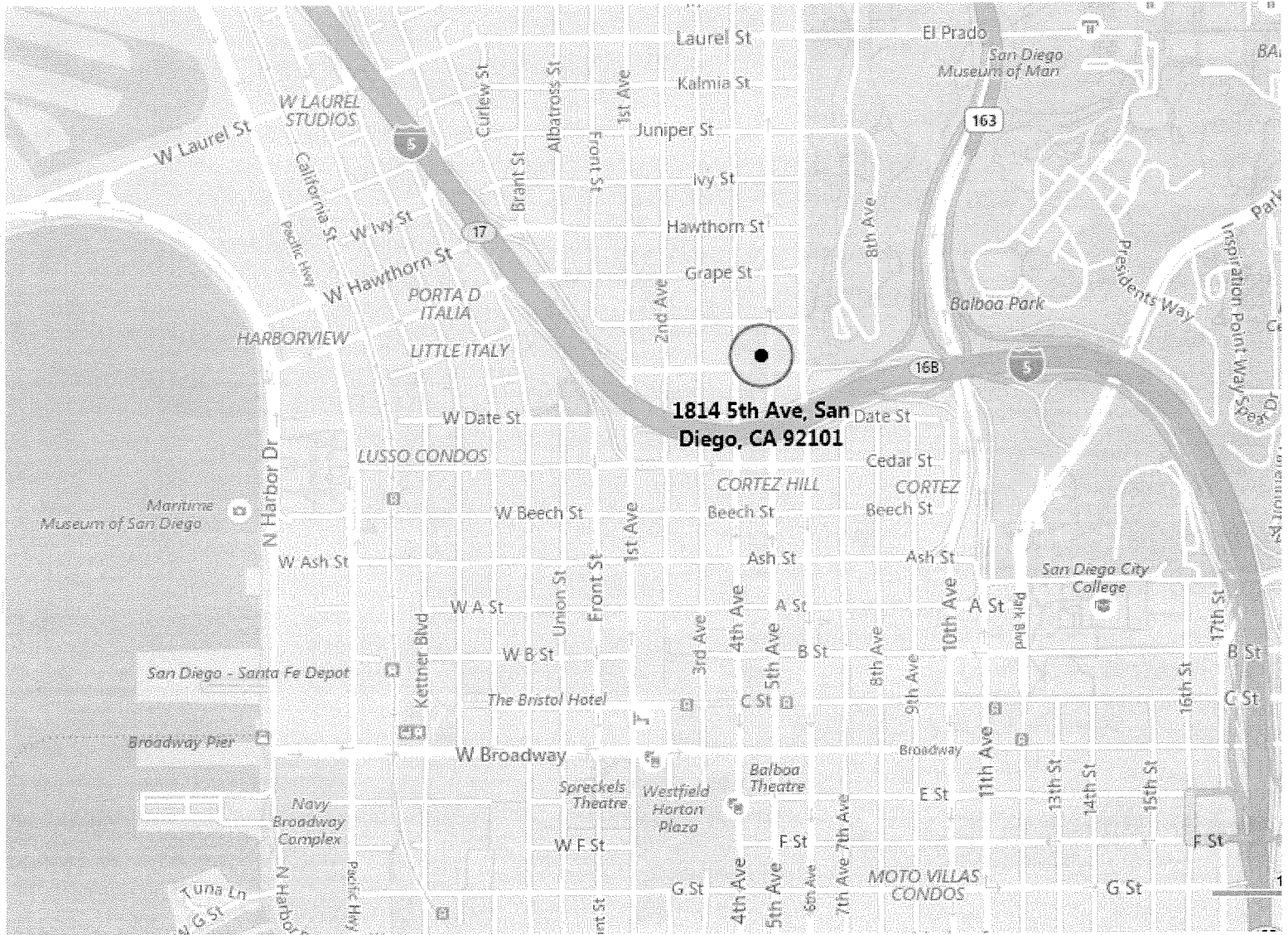
Development Cost Per Unit	$\$21,334,859 \div 80 \text{ units} =$	\$266,686
Housing Commission Subsidy Per Unit	$\$3,040,000 \div 80 \text{ units} =$	\$38,000
Acquisition Cost Per Unit	$\$7,520,000 \div 80 \text{ units} =$	\$94,000
Gross Building Square Foot Hard Cost	$\$7,479,274 \div 34,563 \text{ sq. ft.} =$	\$216
Net Rentable Square Foot Hard Cost	$\$7,479,274 \div 16,635 \text{ sq. ft.} =$	\$450

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Combined Total Units	80	

* Based on Section 8 Project Based Rent.

ATTACHMENT 2A – SITE MAPS



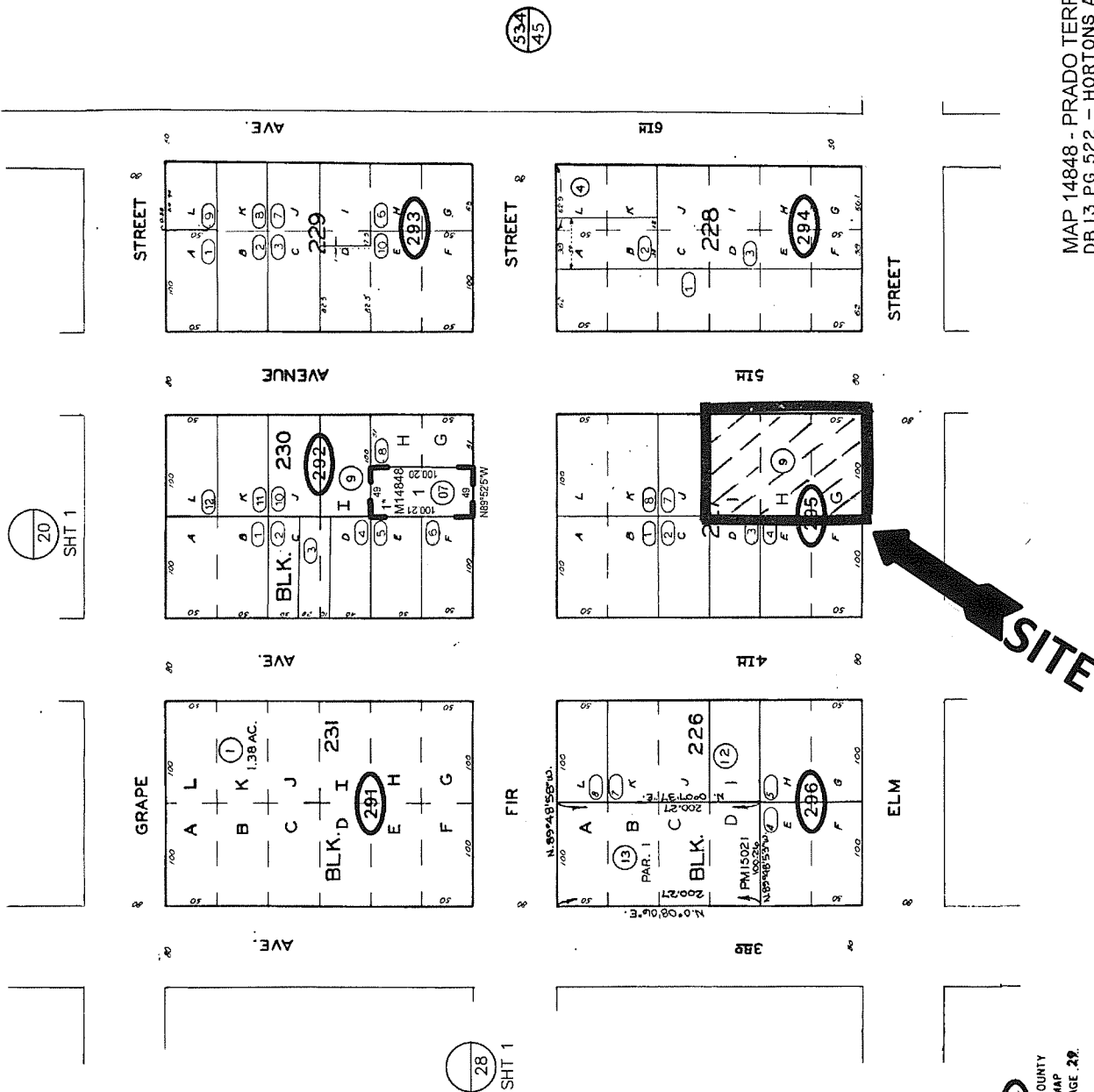
THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 533, PAGE 29

MAP 14848 - PRADO TERRACE
DB 13 PG 522 - HORTONS ADD LOCKLING

533-29
SHT 1 OF 2
1"=100'

ATTACHMENT 2B - SITE MAPS



THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 533, PAGE 29

MAP 14848 - PRADO TERRACE
DB 13 PG 522 - HORTONS ADD LOCKLING

533-29
SHT 1 OF 2
1"=100'

ATTACHMENT 2B - SITE MAPS

ATTACHMENT 3 – REHABILITATION SUMMARY

HOUSING DEVELOPMENT PARTNERS of San Diego

A California Nonprofit Public Benefit Corporation

New Palace Hotel

1814 Fifth Avenue, San Diego, CA 92101

Rehab Scope of Work

New Palace Hotel (NPH) is an 80-unit affordable housing project for seniors located at 1814 5th Avenue in the Banker's Hill neighborhood of downtown San Diego.

The property, with common area space and ground floor commercial bays, was built in approximately 1910, but rebuilt to original specifications in 1991 following a fire in 1989 that destroyed the entire building. At the time of rebuild, individual bathrooms were added to each unit.

Housing Development Partners' rehabilitation of the building will be the first major rehab to the project since its rebuilding 25 years ago. A major component of the rehab will include the addition of kitchenettes to each unit and all associated mechanical, electrical and plumbing requirements to support this new amenity, as well as upgrades to existing building systems. Other improvements include new shower enclosures and bathroom fixtures, fire/life safety component updates, full roof replacement, and full interior and exterior paint. The commercial bays will not be a part of this rehab.

With the addition of kitchenettes, all units will be converted from Single Room Occupancy (SRO) units to studio units. This addition will give residents the ability to cook meals in their units, an amenity that has never been possible in the building before. This transformative addition, along with the myriad of building and unit upgrades and improvements, will result in increased livability of the units and extend the useful life of the building.

Since its rebuilding almost three decades ago, many of the building systems are outdated or simply at or near the end of their useful life. Along with the update to these building systems, the addition of kitchenettes is similar to a new construction application, and requires increased capacity of the building systems to support the new amenity. Capacity increases includes a new furred wall in each unit containing supplementary plumbing lines within the building, as well as new sewer lateral lines that will connect to municipal main lines. Lateral line installation in the public right-of-way will require enhanced traffic control, sidewalk closures, and permitting on a major connector street between the Downtown, Banker's Hill, and Hillcrest communities.

New electrical infrastructure is also needed to support kitchenette appliances, as well as to support updated HVAC and thermostats, low voltage wiring for combined smoke and carbon

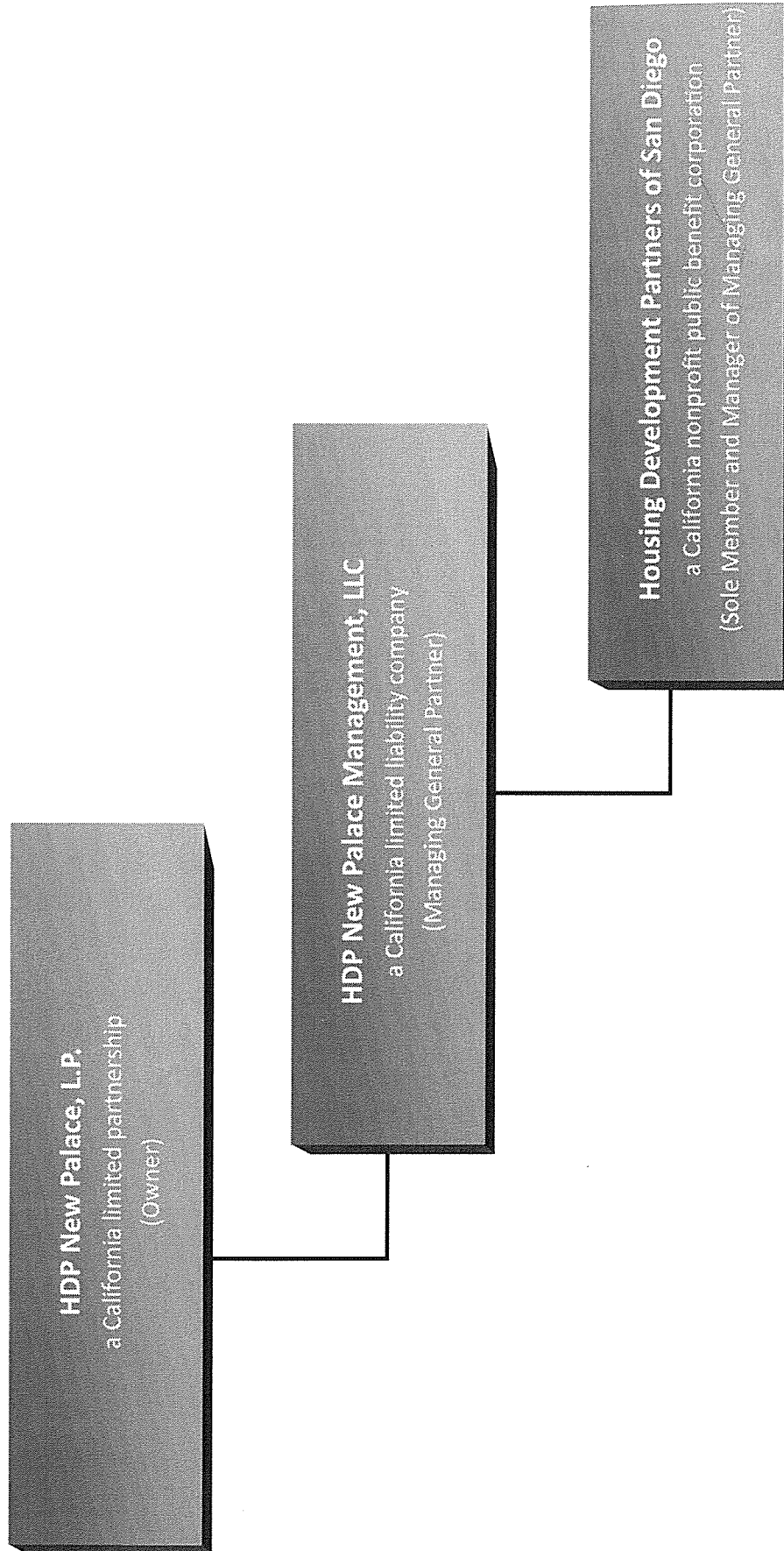
monoxide detection units, and new lighting fixtures to be installed in compliance with required tax credit energy baseline improvements. Moreover, updated mechanical infrastructure and equipment will be required to both support kitchenette venting and exhaust, as well as to address the severely inadequate air circulation in common areas. New kitchenette cabinetry and appliances will be installed upon completion of the updated building system infrastructure.

Additionally, during the predevelopment process and as part of a general assessment of the building, HDP contracted with Forensic Analytical Consulting Services (FACS), an environmental consulting firm that provides a wide range of industrial hygiene services, to conduct air quality and visual tests on a sample of units and select common areas. These initial tests indicated potential air quality issues despite no outward signs of moisture intrusion during the due diligence period, prompting HDP to further extend the contract with FACS for air and visual testing of the remaining units and common areas. This testing resulted in an unforeseen and potential “behind-the-wall” condition, and a recommendation for destructive testing to further investigate. Results of the destructive testing indicated conditions can be met with a “Manage-In-Place” plan until rehabilitation begins in mid-2017. In the interim, FACS has provided draft Manage-in-Place recommendations and is in the process of finalizing an Operations & Maintenance Manual for pre- and post-rehabilitation, as well as procedures for the general contractor during construction.

Results of the moisture intrusion testing has enhanced the waterproofing and remediation scope of work, beyond what was identified by third parties during the project’s due diligence period. Replacement of waterproofing is now planned for the interior courtyard adjacent to the first floor lobby, from which water intrusion has resulted in damage to the media room ceiling immediately below this courtyard. Remediation activities to fix this, and the behind-the-wall conditions in each unit have been added to the scope of work. Additionally, although originally anticipated for refurbishment rather than full replacement, new shower surrounds are now included in the rehab scope of work, as poor product and joint sealing seem to be the apparent source of water intrusion within units. Also, due to the previous water damage in the units, existing carpet and flooring will be replaced with new vinyl plank flooring, which will further deter any future microbial growth due to unforeseen water damage.

Lastly, as this is a “rolling rehab,” all units not being actively rehabilitated will remain occupied. Due to full occupancy and the vulnerability of the elderly resident population, the rehab scope of work includes full time laborers to help maintain safe and clean working conditions, including general clean up, enhanced safety methods related to demolition, building temporary barriers, operating the elevator for material deliveries, and other related tasks.

ATTACHMENT 4 – ORGANIZATION CHART



ATTACHMENT 5 – DEVELOPER DISCLOSURE STATEMENT



SAN DIEGO
HOUSING
COMMISSION

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 of San Diego
 2. Address and ZIP Code: 1100 Broadway San Diego, CA 92101
 3. Telephone Number: 619-269-4686
 4. Name of Principal Contact for CONTRACTOR: Emily S. Jacobs
 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:
Housing Development Partners was formed in California in April 1990 as a 501(c) (3) non-profit.
 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:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10 percent of any class of stock.
 - b. 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.

- c. 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.
- d. 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.
- e. 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 percent.(Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Richard C. Gentry	President and CEO
Address: 619-578-7532	0
Name: Gary Grambling	HDP Board Chair
Address: 760-455-4978	0
Name: Roberta Spoon	HDP Board Vice Chair
Address: 619-234-4173	0
Name: Sal Salas	HDP Board Member
Address: 619-709-1860	0
Name: Sam Guillen	HDP Board Member
Address: 619-247-9300	0
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.
No
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 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: N/A	
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 and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Michael Pavco	Senior Vice President
Address: 1100 Broadway	
San Diego, CA 92101	
Name: Emily Jacobs	Vice President
Address: 1100 Broadway	
San Diego, CA 92101	
Name: Colin Miller	Director
Address: 1100 Broadway	
San Diego, CA 92101	

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 any 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 and Address	Relationship to CONTRACTOR
Name: San Diego Housing Commission	Affiliate through shared board members, Gentry, Gramling, Spoon
Address: 1122 Broadway	
San Diego, CA 92101	
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:
Housing Development Partners is applying for funding from the San Diego Housing Commission, Civic San Diego, The California Housing Finance Agency/San Diego County Mental Health, a to-be-determined 4% Low-Income Housing Tax Credit Investor, and a to-be-determined tax-exempt bond loan provider.
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
- In banks/savings and loans:
Name: US Bank
Address: 11988 El Camino Real, Suite 100 San Diego, CA 92130

Amount: \$ 4,142,000

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

Name: N/A

Address:

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 and Address	Contact Name
Name: US Bank	Veronica Villasenor
Address: SDHC	
San Diego, CA 92101	
Name:	
Address:	
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.

N/A

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.

N/A

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
N/A				

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 and Address	Affiliation
Name: N/A	N/A
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: \$ N/A

General description of such work:

N/A

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. (Attach extra sheet if necessary)

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

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

Identification 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 \$4,142,000 in unrestricted cash of which the pre-development budget indicates that approximately \$1,500,000 will be required to reach a closing. The team has deep experience in the development aspects required for this project, including thorough due diligence effort, budgeting, scheduling, assembling and managing a consultant which will include an owner's representative and third-party contractor who will manage the design and rehab effort. The team also has substantial experience with the required financing steps.

23. Does any member of the governing body of SDHC, 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 SDHC, 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 coverage's. 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:

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

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
- 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 SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, Commissioner, Councilperson, officer, or employee of SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which SDHC 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.

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 Complaint	Entity	Making	Date	Resolution
N/A				

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?

☐ Yes ☒ No

If yes, please explain, in detail,
N/A

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)
N/A					

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 SDHC.

N/A

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

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
	SDHC	Current	\$15,396,409
	City (Civic San Diego)	Current	\$3,000,000
	SDHC	Current	\$2,693,633
	SDHC	Current	\$511,708
	SDHC	Current	\$1,600,000
	SDHC	Current	\$6,000,000
	SDHC	Current	\$4,400,000

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:
N/A

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 that would be familiar with your previous construction projects:

- Name: San Diego Housing Commission
Address: 1122 Broadway, San Diego, CA 92101
Phone:
Project Name and Description: San Diego Square- acquisition and substantial renovation of a 156-unit senior HUD building
- Name: Civic San Diego

Address: 401 B Street Suite 400, San Diego, CA 92101

Phone: 619-235-2200

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

3. Name: California Housing Finance Agency

Address: 500 Capitol Mall, Ste 1400, Sacramento, CA 95814

Phone: 877-922-5432

Project Name and Description: Hotel Churchill – extensive renovation of a 100+ year old historic hotel in downtown San Diego

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.

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

Name	Experience
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information," if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information," if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 8 day of September, 20 16, at San Diego, California.

CONTRACTOR

By: _____

Signature

Title

Emily S. Jacobs
Vice President

CERTIFICATION

The CONTRACTOR Housing Development Partners, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: Emily S. Jacobs By: _____
Title: Vice President Title: _____
Dated: 9/8/2016 Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

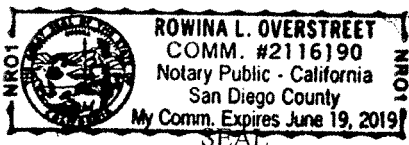
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 8th day of September, 2016

by Emily S. Jacobs personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



Rowina L. Overstreet
Rowina L. Overstreet
Signature of Notary

ATTACHMENT 6 – DEVELOPER'S PROFORMA

New Palace Hotel

Acquisition Rehab - 4%

Draft Date: 11/16/2016 - 9:02 AM

SECTION 1: PROJECT INFORMATION AND ACQUISITION ASSUMPTIONS

GENERAL PROJECT INFORMATION	
Project Name	New Palace Hotel
Purchase Price	\$7,520,000
Project Address	1814 5th Avenue
Year Built	1991
Site Acreage	0.45
Total Units	80 (approximately 178 units/acre)
MSA	San Diego County
Area Media Income	\$72,200
Project Type	Acquisition Rehab - 4%
Prospected Owner Entity	HDP New Palace L.P.

BUILDING AREA	
Residential Rentable SF	
Common Areas	
Subtotal Residential SF	
Commercial / Retail / Office Rentable SF	
Common Areas	
Subtotal Commercial SF	
Parking Structure	
On Grade Parking	
Subtotal Parking SF	
Approximate Gross Building Area	

SECTION 2: UNIT MIX & PROJECT INCOME

Bedroom Type	Number of Units	% of Total	Net Area (SF)	Gross Square Feet	Proposed Rents	Utility Allowance	Market Rent	Maximum Rent	Spread to Market	Monthly Income	Annual Income
0 Bedroom	4	5.0%	157	628	\$942	\$0	\$1,100	\$942	0%	\$3,768	\$45,216
0 Bedroom	57	71.3%	189	10,773	\$942	\$0	\$1,100	\$942	0%	\$53,694	\$644,328
0 Bedroom	4	5.0%	215	860	\$942	\$0	\$1,100	\$942	0%	\$3,768	\$45,216
0 Bedroom	6	7.5%	243	1,458	\$942	\$0	\$1,100	\$942	0%	\$5,652	\$67,824
0 Bedroom	4	5.0%	262	1,048	\$942	\$0	\$1,100	\$942	0%	\$3,768	\$45,216
0 Bedroom	4	5.0%	301	1,204	\$942	\$0	\$1,100	\$942	0%	\$3,768	\$45,216
2 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
2 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
2 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
2 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
3 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
3 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
3 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
3 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
1 Bedroom	1	1.3%	189	189	\$0	\$0	\$1,100	\$942	0%	\$942	\$11,304
2 Bedroom	0	0.0%	0	0	\$0	\$0	\$0	\$0	0%	\$0	\$0
Total/Average	80	100.0%	202	16,160	\$942	\$0.00	\$0	\$942	0%	\$75,360	\$904,320

COMMERCIAL INCOME (NNN)

Unit Type	Net SF	\$/SF/Month	Monthly	Annual
Commercial Suites	2,300	\$0.00	\$0	\$0
Vacancy	5%		\$0	\$0
Total				

OTHER INCOME

Residential	\$/unit/Month	Monthly	Annual
Parking Income	\$0.00	\$0	\$0
Storage Income	\$0.00	\$0	\$0
Laundry Income	\$5.00	\$113	\$1,356
Fees and Charges	\$0.00	\$0	\$0
Other	\$0.00	\$0	\$0
Total other income/month	\$5.00	\$113	\$1,356

ESCALATORS & VACANCY

Item	Rate
Escalator for Income	2.0%
Escalator for Expenses	3.0%
Escalator for P/ship Expenses	3%
Escalator for Misc Expenses	0.0%
Residential Vacancy	5.0%

SECTION 3: EXPENSES

Category	Per Unit	Total Annual
Professional Management	\$649	\$51,906
Administrative	\$580.05	\$46,404
Accounting/Audit	\$131	\$10,500
Advertising	\$0	\$0
Legal	\$31	\$2,500
Payroll & Benefits	\$1,508	\$120,640
Onsite Staff (Mgt & Maintenance)	\$302	\$24,128
Payroll Taxes	\$315	\$25,168
Utilities	\$139	\$11,150
Gas	\$415	\$33,165
Electricity	\$512	\$40,980
Water/Sewer/Garbage/Cable		
Maintenance	\$131	\$10,500
Repairs and Supplies	\$701	\$56,100
Contracts	\$0	\$0
Security	\$333	\$26,661
Insurance/Taxes	\$300	\$24,000
Service Coordinator	\$500	\$40,000
Replacement Reserves	\$218.75	\$17,500
Compliance Monitoring	\$6,766	\$541,302
Total Expenses		

SECTION 4: PROJECT MILESTONES

Architectural Milestones	Date	na
Schematic Drawings		na
Design & Development		na
Construction Drawings		na
Approval Milestones	Date	
Civic SD Board Date	11/16/16	
HC Board Date	12/2/16	
Housing Authority/TEFRA	12/6/16	
CDLAC Application Date	12/13/16	
TCAC Application Date	12/13/16	
CDLAC Allocation Date	3/15/17	
TCAC Allocation Date	3/15/17	
Closing Date	6/30/16	
Construction Milestones	Month	Date
Construction Start	0	7/1/17
25% Completion	3	10/1/18
50% Completion	6	1/1/18
75% Completion	9	4/1/18
100% Completion	12	7/1/18
Conversion/8609s	15	10/1/18

SECTION 5: OTHER ASSUMPTIONS

Waterfall Assumptions	
SNHP Compliance Monitoring Fee	\$7,500
LP Asset Management Fee	\$7,500
Non Profit Management Fee	\$0
Interest On Deferred Dev Fee (2.18 APR?)	0.00%
Residual Cash Flow Split to P ship	50.0%
LP Share of Partnership CF	0.0%
Residual Receipts Lender Split	Proportional
Ground Lease (% of EGI) Years 1-17	0.0%
Ground Lease (% of EGI) Years 17-55	0.0%
Other	
Developer Fees	
Max Allowable Developer Fee	\$1,400,000
Max Developer Fee in Basis	\$2,500,000
LP Share of Tax Credits	99.99%
Other	
50% Test	
Eligible Basis + Land	\$19,081,388
Amount Financed by Bonds	\$14,000,000
Percent of Financed by Bonds	73%

SECTION 6: FINANCING SOURCE ASSUMPTIONS

PERM LOAN	
DSCR	1.15
Amort (Years)	30
All-in Rate	4.63%
Annual PMT	277,470
Perm Loan Amt	\$4,497,317

SOFT LOAN	
Principal	\$6,460,000
Interest (Simple)	4.00%
Term	55
Annual Payment	Residual Rec.

SELLER LOAN	
Principal	\$1,740,739
Interest (Simple)	3.00%
Term	55
Annual Payment	
LAND DONATION	
Land Value	\$0.00

SECTION 7: QUICK LOOK SUMMARY

Operating Summary	Total	Per Unit	% of EGI
Gross Rental Income	\$904,320	\$11,304	
Other Income	\$1,356	\$17	
(Less) Vacancy @ 5%	(\$45,284)	(\$566)	
Effective Gross	\$860,392	\$10,755	
Commercial Income	\$0	\$0	
(Less) Vacancy @ 0%	\$0	\$0	
Total Gross	\$860,392	\$10,755	
(Less) Operating Exp	(\$541,302)	(\$6,766)	
(Less) Other Expenses	\$0	\$0	
Net Operating Income	\$319,090	\$3,989	
(Less) Debt Service	(\$277,470)	(\$3,468)	
Net Cash Flow	\$41,620	\$520	
Developer Fee Installments			
Closing	4/15/15	\$321,827	13%
25% Completion	10/1/18	\$0	0%
50% Completion	1/1/18	\$0	0%
75% Completion	4/1/18	\$321,827	13%
100% Completion	7/1/18	\$321,827	13%
8609s	10/1/18	\$321,827	13%
Deferred	As Available	\$1,212,691	49%
Total Developer Fee		\$2,500,000	100%

Sources:	Total	Per Unit	% of Total
PERM LOAN	\$4,497,317	\$56,216	21.0%
LIHTC EQUITY	\$7,439,997	\$93,000	34.8%
SOFT LOAN - CIVIC	\$3,100,000	\$38,750	14.5%
SOFT LOAN - CIVIC	\$1,960,000	\$24,500	9.2%
SOFT LOAN - CALIFA	\$1,400,000	\$17,500	6.5%
RFR TRANSFER	\$48,000	\$600	0.2%
SELLER NOTE	\$1,740,739	\$21,759	8.1%
DEFERRED FEE	\$1,212,691	\$15,159	5.7%
Total Sources	\$21,398,744	\$267,484	100%
Uses:	Total	Per Unit	% of Total
BUILDING ACQUISITION	\$7,520,000	\$94,000	35.1%
LAND	\$0	\$0	0.0%
HARD COSTS	\$7,479,274	\$93,491	35.0%
PERMITS & FEES	\$100,000	\$1,250	0.5%
A&E	\$414,189	\$5,177	1.9%
THIRD PARTY REPORTS	\$167,010	\$2,088	0.8%
FINANCING	\$1,047,447	\$13,093	4.9%
RESERVES	\$489,386	\$6,117	2.3%
BOND AND TAX CREDIT	\$265,919	\$3,324	1.2%
OTHER SOFT COSTS	\$1,415,520	\$17,684	6.6%
DEVELOPER FEE	\$2,500,000	\$31,250	11.7%
Total Uses	\$21,398,744	\$267,484	100.0%

New Palace Hotel

Acquisition Rehab - 4%

DEVELOPMENT COSTS

	Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
ACQUISITION & CLOSING COSTS						
1005 LAND	\$0	\$0	\$0			\$0
1010 BUILDINGS	7,520,000	\$7,520,000	\$94,000	\$7,520,000		\$0
1015 ESCROW DEPOSIT - Refundable	\$0	\$0	\$0			\$0
1020 ESCROW DEPOSIT - NonRefundable	\$0	\$0	\$0	\$0	\$0	\$0
1025 BROKER FEE/COMMISSION	0%	\$0	\$0	\$0	\$0	\$0
1030 OTHER ACQUISITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL ACQUISITION & CLOSING COSTS		\$7,520,000	\$94,000	\$7,520,000	\$0	\$0
HARD COSTS						
2005 DEMOLITION	0.00%	\$144,500	\$0			\$144,500
2030 REHABILITATION (RESIDENTIAL) Prevail. Wage	\$70,440	\$4,925,832	\$61,573		\$4,925,832	
2035 REHABILITATION (REMEDATION) Prevail. Wage	\$2,306	\$184,500	\$2,306		\$184,500	\$0
2045 GENERAL CONDITIONS/REQUIREMENTS	\$603,578	\$603,578	\$7,545		\$603,578	
2050 GENERAL CONTRACTOR FEE (OHP)	\$311,770	\$311,770	\$3,897		\$311,770	
2055 BONDING & INSURANCE	\$129,800	\$129,800	\$1,623		\$129,800	
HARD COST CONTINGENCY (CONTRACTOR)	\$576,726	\$576,726	\$7,209		\$576,726	
2060 HARD COST CONTINGENCY (OWNER)	10.00%	\$602,568	\$7,532		\$602,568	
TOTAL HARD COSTS		\$7,479,274	\$93,491	\$0	\$7,334,774	\$144,500
PERMITS & FEES						
3030 MUNICIPAL	\$100,000	\$100,000	\$1,250		\$100,000	
TOTAL PERMITS & FEES		\$100,000	\$1,250	\$0	\$100,000	\$0
ARCHITECTURE & ENGINEERING						
4005 ARCHITECT	\$310,502	\$310,502	\$3,881		\$310,502	
4010 CIVIL ENGINEERING	\$83,687	\$83,687	\$1,046		\$83,687	
4030 OTHER CONSULTANTS-SPECIAL INSPECTIONS	\$20,000	\$20,000	\$250		\$20,000	
TOTAL ARCHITECTURE & ENGINEERING		\$414,189	\$5,177	\$0	\$414,189	\$0
THIRD PARTY REPORTS						
5005 APPRAISAL	\$13,000.00	\$13,000	\$163		\$13,000	
5010 MARKET STUDY	\$6,000.00	\$6,000	\$75		\$6,000	
5020 ENVIRONMENTAL (Ph1 & Ph2)	\$17,000.00	\$17,000	\$213		\$17,000	
5025 PHYSICAL NEEDS ASSESSMENT	\$10,000.00	\$10,000	\$125		\$10,000	
5040 REMEDIATION TESTING & CONSULTANT	\$80,210.00	\$80,210	\$1,003		\$80,210	
5040 OTHER TECHNICAL REPORTS	\$40,800.00	\$40,800	\$510		\$40,800	
8075 THIRD PARTY REPORT CONTINGENCY	\$0.10	\$0	\$0		\$0	
TOTAL DILIGENCE COSTS		\$167,010	\$2,088	\$0	\$167,010	\$0
FINANCING COSTS						
6040 BRIDGE LOAN LENDER APPRAISAL	\$8,250.00	\$8,250	\$103		\$8,250	\$0
6045 BRIDGE LOAN ORIGINATION FEE	\$57,993	\$57,993	\$725		\$28,997	\$28,997
6050 BRIDGE LOAN LEGAL	\$7,000	\$7,000	\$88		\$3,500	\$3,500
6055 BRIDGE LOAN TITLE & ESCROW	\$21,182	\$21,182	\$265		\$10,591	\$10,591
6005 CONSTRUCTION LOAN ORIGINATION FEE	\$140,000	\$140,000	\$1,750		\$140,000	\$0
6010 CONSTRUCTION LOAN LEGAL	\$73,800	\$73,800	\$923		\$36,900	\$36,900
6025 INTEREST DURING CONSTRUCTION	\$563,322	\$563,322	\$7,042		\$84,498	\$478,823
6105 CALHFA & CIVIC & SDHC FEES	\$90,900	\$90,900	\$1,136		\$45,450	\$45,450
6130 PERM LOAN CONVERSION FEE	\$10,000	\$10,000	\$125			\$10,000
6115 PERM LOAN DUE DILIGENCE	\$10,000	\$10,000	\$125		\$0	\$10,000
6015 CONSTR LENDER APPLICATION / DUE DILIGENCE	\$5,000	\$5,000	\$63			\$5,000
6135 LOAN RESTRUCTURING FEES (HCD)	\$60,000	\$60,000	\$750			\$60,000
TOTAL FINANCING COSTS		\$1,047,447	\$13,093	\$0	\$358,186	\$689,261
RESERVES						
7005 REPLACEMENT RESERVE - INITIAL DEPOSIT	\$1,000	\$80,000	\$1,000			\$80,000
7010 OPERATING RESERVE	6	\$409,386	\$5,117			\$409,386
TOTAL RESERVES		\$489,386	\$6,117	\$0	\$0	\$489,386
BOND/TAX CREDIT RELATED COSTS						
6305 TCAC RESERVATION FEE	1.0%	\$7,019	\$88			\$7,019
6310 TCAC APPLICATION FEES	\$2,000	\$2,000	\$25			\$2,000
6326 CDLAC APPLICATION FEES	\$600	\$600	\$8			\$600
6315 TCAC COMPLIANCE MONITORING FEE	\$410	\$32,800	\$410			\$32,800
6327 CDLAC ISSUANCE FEE (TE Construction Loan)	0.035%	\$4,900	\$61			\$4,900
6328 CDLAC REPORTING FEE (TE Construction Loan)	0.015%	\$2,100	\$26			\$2,100
6330 ISSUER FEE (TE Construction Loan)	0.250%	\$35,000	\$438			\$35,000
6331 ISSUER FINANCIAL ANALYST	\$40,000	\$40,000	\$500			\$40,000
6340 BOND COUNSEL and CITY LEGAL	\$88,500	\$88,500	\$1,106			\$88,500
6125 OTHER FINANCING COSTS	\$53,000	\$53,000	\$663			\$53,000
TOTAL BOND/TAX CREDIT RELATED COSTS		\$265,919	\$3,324	\$0	\$0	\$265,919

\$0

New Palace Hotel

DEVELOPMENT COSTS

Acquisition Rehab - 4%

	Unit Cost	Total	Per Unit	Acq Basis	Rehab Basis	Non-Basis
OTHER SOFT COSTS						
8020 LEGAL - DEVELOPER (CONSTRUCTION)	\$100,000	\$100,000	\$1,250		\$100,000	
8005 LEGAL - PARTNERSHIP (BRIDGE)	\$65,000	\$65,000	\$813		\$0	\$65,000
8005 LEGAL - PARTNERSHIP	\$0	\$0	\$0		\$0	\$0
8035 ACCOUNTING/COST CERT	\$22,500	\$22,500	\$281		\$10,980	\$11,520
8045 RELOCATION COSTS	\$510,000	\$510,000	\$6,375		\$255,000	\$255,000
8045 RELOCATION STUDY	\$42,645	\$42,645	\$533		\$42,645	\$0
5035 ALTA SURVEY	\$20,000	\$20,000	\$0		\$20,000	
8055 PREPAID INSURANCE	\$43,206	\$43,206	\$540			\$43,206
8060 TITLE/ESCROW/RECORDING	\$32,100	\$32,100	\$401		\$32,100	
8065 REAL ESTATE TAXES	\$30,000	\$30,000	\$375			\$30,000
4025 CONSTRUCTION MANAGEMENT	\$180,000	\$180,000	\$2,250			\$180,000
8084 ENERGY REPORT (TCAC)	\$12,540	\$12,540	\$157		\$12,540	
8085 BORROWER FINANCIAL ANALYST	\$100,000	\$100,000	\$1,250			\$100,000
8030 FF&E - RESIDENTIAL	\$500	\$40,000	\$500		\$40,000	
8080 FF&E - COMMON AREA	\$100,000	\$100,000	\$1,250		\$100,000	
2055 BONDING & INSURANCE	\$30,400	\$30,400	\$380		\$30,400	
8075 SOFT COST CONTINGENCY	5%	\$87,129	\$1,089		\$43,564	\$43,564
TOTAL OTHER SOFT COSTS		\$1,415,520	\$17,444	\$0	\$687,229	\$728,290
DEVELOPER FEE						
9005 DEVELOPER FEE ON ACQUISITION	15%	\$1,127,355	\$14,092	\$1,127,355		\$0
9010 DEVELOPER FEE ON REHAB	15%	\$1,372,645	\$17,158		\$1,372,645	\$0
TOTAL DEVELOPER FEE		\$2,500,000	\$31,250	\$1,127,355	\$1,372,645	\$0
GRAND TOTAL DEVELOPMENT COSTS		\$21,398,744	\$261,117	\$8,647,355	\$10,434,033	\$1,827,970

New Palace Hotel

TAX CREDITS

Tax Credit Assumptions

Eligible Basis (Acq)		8,647,355
Eligible Basis (Rehab/New Construction)		10,434,033
Total Eligible Basis		19,081,388
Maximum Allowable Basis		19,081,388
QCT/DDA		130%
Total Qualified Basis (Acq)		8,647,355
Total Qualified Basis (Rehab/New Construction)		13,564,243
Applicable Fraction		100.00%
Applicable Credit Rate (Acq.)		3.16%
Applicable Credit Rate (NC/RH)		3.16%
Total Annual Credit		701,886
Total 10-Year Credit		7,018,865
Investment Rate		1.060
Total Investor Equity		7,439,997

Threshold basis

Unit Type	Unit Basis Limit (if)	No of units	Unadjusted Threshold basis
SRO/Studio	200,745	79	15,858,855
1 BR	231,457	-	-
2 BR	279,200	-	-
3 BR	357,376	-	-
MGRS	398,139	-	-
Total		79	15,858,855

Basis adjustments

	Yes/No	Adjustment	Basis Adjustment
Prevailing wage	yes	20%	3,171,771
Structured Parking Below Units	no	7%	-
Energy Efficiency	yes	4%	634,354
Elevated Units	yes	10%	1,585,886
Impact Fees Paid by Municipality	no	0	-
36-50% AMI	no	10%	-
35% ami & under	no	10%	-
Total Adjusted Threshold Basis Limit		0	21,250,866

Proposed Eligible Basis
Basis Cushion

19,081,388
2,169,478

New Palace Hotel

Cash Flow Analysis 1.1

Acquisition Rehab - 5%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
OPERATING BUDGET															
GROSS RENTAL INCOME	904,320	922,406	940,855	959,672	978,865	998,442	1,018,411	1,038,779	1,059,555	1,080,746	1,102,161	1,124,408	1,146,896	1,169,834	1,193,231
Other Income	1,356	1,383	1,411	1,439	1,468	1,497	1,527	1,558	1,589	1,621	1,653	1,686	1,720	1,754	1,789
(Less) Vacancy @ 5%	(45,284)	(46,189)	(47,113)	(48,056)	(49,017)	(49,997)	(50,997)	(52,017)	(53,057)	(54,118)	(55,201)	(56,305)	(57,431)	(58,579)	(59,751)
EFFECTIVE GROSS INCOME	860,392	877,600	895,152	913,055	931,316	949,943	968,941	988,320	1,008,087	1,028,248	1,048,813	1,069,790	1,091,185	1,113,009	1,135,269
Commercial Income															
TOTAL GROSS INCOME	860,392	877,600	895,152	913,055	931,316	949,943	968,941	988,320	1,008,087	1,028,248	1,048,813	1,069,790	1,091,185	1,113,009	1,135,269
(Less) Total Operating Expenses	(541,302)	(557,541)	(574,257)	(591,495)	(609,240)	(627,517)	(646,343)	(665,733)	(685,705)	(706,276)	(727,464)	(749,288)	(771,767)	(794,920)	(818,768)
NET OPERATING INCOME	319,090	320,059	320,895	321,560	322,076	322,425	322,599	322,587	322,382	321,972	321,349	320,502	319,418	318,089	316,502
(Less) Debt Service	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)
NET PROJECT CASH FLOW	41,620	42,589	43,425	44,090	44,606	44,955	45,129	45,117	44,912	44,502	43,879	43,031	41,948	40,619	39,032
DEBT SERVICE COVERAGE RATIO	1.15	1.15	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.15	1.15	1.14
CASH WATERFALL															
Non Profit AM Fee	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
(Less) Incentive Management Fee															
(Less) LP Asset Management Fee															
(Less) Non Profit Fee															
Total Fees (Non Profit and Partnership)	(15,000)	(15,244)	(15,495)	(15,755)	(16,024)	(16,301)	(16,587)	(16,882)	(17,187)	(17,502)	(17,827)	(18,162)	(18,509)	(18,867)	(19,236)
Remaining Cash Flow	26,620	27,346	27,920	28,335	28,583	28,655	28,542	28,235	27,725	27,001	26,052	24,869	23,440	21,753	19,796
Cash Flow Available for Developer (50%)	13,310	13,673	13,960	14,167	14,291	14,327	14,271	14,118	13,862	13,500	13,026	12,434	11,720	10,876	9,898
Deferred Developer Fee															
Beginning Balance	1,212,691	1,199,381	1,172,035	1,144,116	1,115,781	1,087,108	1,058,543	1,030,001	1,001,766	974,041	947,040	920,988	896,119	872,679	850,927
Interest On Deferred Fee															
(Less) Developer Fee PMT	(13,310)	(12,746)	(12,920)	(13,335)	(13,583)	(13,855)	(14,142)	(14,445)	(14,765)	(15,102)	(15,457)	(15,831)	(16,215)	(16,609)	(17,013)
Developer Fee Balance	1,199,381	1,172,035	1,144,116	1,115,781	1,087,198	1,058,443	1,030,001	1,001,766	974,041	947,040	920,988	896,119	872,679	850,927	831,131
Cash Flow Available for Residual Lenders (50%)	13,310	13,673	13,960	14,167	14,291	14,327	14,271	14,118	13,862	13,500	13,026	12,434	11,720	10,876	9,898
Net Cash To General Partner	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Incentive Management Fee															
Developer Fee	13,310	27,346	27,920	28,335	28,583	28,655	28,542	28,235	27,725	27,001	26,052	24,869	23,440	21,753	19,796
GP Cash Flow															
Total Cash to GP	20,810	34,846	35,420	35,835	36,083	36,155	36,042	35,735	35,225	34,501	33,552	32,369	30,940	29,253	27,296
Cumulative	20,810	55,656	91,075	126,910	162,993	199,148	235,190	270,925	306,150	340,651	374,703	408,572	437,512	466,764	494,060

	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
OPERATING BUDGET															
GROSS RENTAL INCOME	1,217,096	1,241,438	1,266,266	1,291,592	1,317,423	1,343,772	1,370,647	1,398,060	1,426,022	1,454,542	1,483,633	1,513,305	1,543,572	1,574,443	1,605,932
Other Income	1,825	1,861	1,899	1,937	1,975	2,015	2,055	2,096	2,138	2,181	2,225	2,269	2,315	2,361	2,408
(Less) Vacancy @ 5%	(60,946)	(62,165)	(63,408)	(64,676)	(65,970)	(67,289)	(68,635)	(70,008)	(71,408)	(72,836)	(74,293)	(75,779)	(77,294)	(78,840)	(80,417)
EFFECTIVE GROSS INCOME	1,157,975	1,181,134	1,204,757	1,228,852	1,253,429	1,278,488	1,304,068	1,330,149	1,356,752	1,383,887	1,411,565	1,439,796	1,468,592	1,497,564	1,527,923
Commercial Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL GROSS INCOME	1,157,975	1,181,134	1,204,757	1,228,852	1,253,429	1,278,488	1,304,068	1,330,149	1,356,752	1,383,887	1,411,565	1,439,796	1,468,592	1,497,564	1,527,923
(Less) Total Operating Expenses	(843,331)	(868,631)	(894,690)	(921,530)	(949,176)	(977,651)	(1,006,981)	(1,037,190)	(1,068,306)	(1,100,355)	(1,133,366)	(1,167,367)	(1,202,388)	(1,238,460)	(1,275,613)
NET OPERATING INCOME	314,644	312,503	310,067	307,322	304,253	300,846	297,087	292,958	288,446	283,532	278,199	272,429	266,204	259,504	252,310
(Less) Debt Service	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)	(277,470)
NET PROJECT CASH FLOW	37,174	35,034	32,597	29,852	26,783	23,376	19,617	15,489	10,976	6,062	729	(5,041)	(11,266)	(17,966)	(25,160)
DEBT SERVICE COVERAGE RATIO	1.13	1.13	1.12	1.11	1.10	1.08	1.07	1.06	1.04	1.02	1.00	0.98	0.96	0.94	0.91
CASH WATERFALL															
Non Profit AM Fee	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)
(Less) Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) LP Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Less) Non Profit Fee	(12,117)	(12,511)	(12,918)	(13,338)	(13,771)	(14,219)	(14,681)	(15,158)	(15,651)	(16,159)	(16,684)	(17,227)	(17,787)	(18,365)	(18,962)
Total Fees (Non Profit and Partnership)	(19,617)	(20,011)	(20,418)	(20,838)	(21,271)	(21,719)	(22,181)	(22,658)	(23,151)	(23,659)	(24,184)	(24,727)	(25,287)	(25,865)	(26,462)
Remaining Cash Flow	17,557	15,022	12,179	9,014	5,512	1,657	(2,564)	(7,169)	(12,175)	(17,598)	(23,456)	(29,768)	(36,553)	(43,830)	(51,622)
Cash Flow Available for Developer (50%)	8,778	7,511	6,090	4,507	2,756	829	(1,282)	(3,585)	(6,087)	(8,799)	(11,728)	(14,884)	(18,276)	(21,915)	(25,811)
Deferred Developer Fee	831,131	813,575	798,552	786,373	777,359	771,847	770,189	772,754	779,923	792,098	809,695	833,151	862,919	899,471	943,302
Beginning Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest On Deferred Fee	(17,557)	(15,022)	(12,179)	(9,014)	(5,512)	(1,657)	2,564	7,169	12,175	17,598	23,456	29,768	36,553	43,830	51,622
(Less) Developer Fee PMT	813,575	798,552	786,373	777,359	771,847	770,189	772,754	779,923	792,098	809,695	833,151	862,919	899,471	943,302	994,923
Developer Fee Balance	8,778	7,511	6,090	4,507	2,756	829	(1,282)	(3,585)	(6,087)	(8,799)	(11,728)	(14,884)	(18,276)	(21,915)	(25,811)
Cash Flow Available for Residual Lenders (50%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash To General Partner	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Incentive Management Fee	17,557	15,022	12,179	9,014	5,512	1,657	(2,564)	(7,169)	(12,175)	(17,598)	(23,456)	(29,768)	(36,553)	(43,830)	(51,622)
Developer Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GP Cash Flow	25,057	22,522	19,679	16,514	13,012	9,157	4,936	331	(4,475)	(10,098)	(15,956)	(22,268)	(29,053)	(36,330)	(44,122)
Total Cash to GP	519,116	541,639	561,318	577,832	590,844	600,002	604,937	605,268	600,593	590,496	574,540	552,272	523,220	486,889	442,767
Cumulative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Real Estate Division

November 18, 2016

Mike Pavco and Emily Jacobs
 Housing Development Partners
 1100 Broadway
 San Diego, CA 92101

Subject: Letter of Intent Proposed Loan Terms Summary for New Palace Hotel
 1814 5th Avenue, San Diego, CA

Dear Mike and Emily:

Subject to the approval by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego, for New Palace Hotel ("New Palace") the San Diego Housing Commission (Housing Commission) is pleased to submit this non-binding commitment terms summary. This commitment terms summary is not a binding contract. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan ("Housing Commission Loan") to HDP New Palace LP, a California limited partnership "Borrower") with respect to the acquisition, rehabilitation and permanent financing of an 80 unit new development (with 79 affordable units and 1 unrestricted manager's unit) located at 1814 5th Avenue, San Diego, CA 92101 ("the Project"). Closing must occur within eighteen (18) months of Housing Authority of the City of San Diego approval of the Housing Commission loan, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion. In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply. Provided that the Housing Commission loan is approved by the Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission loan. In addition, **Exhibit A** includes the Borrower's Proforma which models financial Projections of the Project.

For New Palace the terms of the Housing Commission's proposed financing will be as follows:

1. **Maximum loan amount (not to exceed)** – Up to \$3,100,000 as a residual receipts loan. Loan funds to be used for the acquisition, construction and permanent financing of the Project.
2. **Interest Rate** – 4 percent simple interest.
3. **Loan Terms** - The loan will be due in 55 years from completion of the Project's rehabilitation. Annual payments on the loan shall equal the 50% percent of the project's residual receipts. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50% percent of the project's residual receipts, in proportion to the original principal balances of their respective loans. The Housing Commission Loan

will be due and payable in full in 55 years.

4. **Affordability** –
 - a. Restricted units must remain affordable for at least 55 years.
 - b. At closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
 - c. The affordability shall be as follows:
 - 24 studio units at 30 percent Area Median Income (AMI),
 - 23 studio units at 50 percent AMI, (including 5 HOME Investment Partnerships (HOME) program restricted units), and
 - 32 studio units at 60 percent AMI, (including 17 HOME program restricted units).
 - 1 one-bedroom unrestricted manager's unit.
5. **Appraised Value** – The purchase price of land and improvements must not exceed the property's appraised value. The seller of land and improvements, Housing Development Partners, shall contribute 100% of any sale proceeds to the project as a Seller Carryback Loan.
6. **Bond Trustee/Fiscal Agent** – For a tax-exempt multifamily housing bond issuance a Trustee or Fiscal Agent will be required.
7. **Bonds Consultants** – The Borrower is responsible for fee payment to the bond issuer's Bond Counsel and Financial Advisor. These fees vary with the amount of the bond issue.
8. **Bonds Separate Lender and Tax Credit Investor** – For bond issuances, the Borrower must use separate debt and equity providers due to arbitrage rebate issues.
9. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission's legal counsel.
10. **Construction/Rehabilitation Costs Third-Party Review** – Prior to loan approval a third-party rehabilitation costs review will be obtained by the Housing Commission. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party-review costs.
11. **Contractor** – The construction contract shall be competitively bid. The Borrower shall have the option to competitively bid to at least three qualified General Contractors or engage a General Contractor that will competitively bid all major trades to at least three qualified subcontractors. The General Contractor Construction contract or subcontractor's contracts shall be awarded to the lowest qualified and responsive bidder.
 - a. Borrower will submit copies of three qualified bids received from General Contractors.

- b. Construction Agreement – Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval.
 - d. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.
 - e. Insurance – prior to close of escrow, evidence of insurance acceptable to the Housing Commission’s legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the Contractor’s insurance policies.
12. **Cost Certification** - The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval prior to final issuance.
13. **Cost Savings and/or Additional Proceeds at Escrow Closing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, and any other sources), then upon construction loan closing, the excess funds shall be used as follows:
- a. First, excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to adjust the Housing Commission Loan as set forth in paragraph 15 below.

If other public lenders require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders’ agreements.

14. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing** - In the event that the Borrower obtains funds in excess of those shown as sources in **Exhibit A** Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows:
- a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - b. Second, cost savings will be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans to reduce the amount of their soft loans.
15. **Debt Service Coverage Ratio** – Prior to closing, subject to lender and equity investor underwriting criteria, the Seller Carryback Loan amount will be adjusted (with a

commensurate adjustment to the permanent loan amount) to an amount necessary for the permanent loan to achieve a maximum projected 1.15 debt service coverage ratio. For example, if at closing the Project exceeds a 1.15 debt service coverage ratio, the Housing Commission Loan amount will be reduced (and the permanent loan amount will be increased) to achieve the maximum 1.15 debt service coverage ratio.

16. **Developer/Seller Carryback Loans** – To make the project financially viable, the Borrower is offering to provide certain contributions including a seller carryback loan (“Seller Carryback Loan”) currently estimated at \$1,740,739. The Seller Carryback Loan amount represents the amount of sales proceeds available to the Seller of the land and improvements at Escrow Closing. Final Seller Carryback Loan amount will be determined by the Borrower and Housing Commission prior to closing.
 - a. The Seller Carryback Loan must be subordinate to the Housing Commission’s loan.
 - b. Loan Terms: 55 years, compounding at no less than the applicable federal rate and as approved by investor.
17. **Developer Fee** –
 - a. Maximum Fee - \$1,400,000 as allowed in the NOFA (Developer Fee Cap).
 - b. The Housing Commission will consider increasing the developer fee above Developer Fee Cap for the purpose of increasing the Projects eligible basis and generating additional low income housing tax credits. Developer fee above the Developer Fee Cap must be contributed back to the project as a source of permanent financing. All or a portion of such contributions (Subordinate Deferred Developer Fee) may be structured as a subordinate deferred developer fee payable out of the Borrowers share of residual cash flow. Subordinate Deferred Developer Fee must be paid or contributed to the project prior to the expiration of the tax credit compliance period.
 - c. Additional developer fee provisions -
 - i. If for any reason the Borrower does not collect the entire developer fee up to the amount of the Developer Fee Cap through the last equity installment, uncollected fee up to \$1,400,000 shall be given priority over Housing Commission residual receipt payments.
 - ii. In addition, the Borrower is eligible to collect fee in excess of \$1,400,000 if it is a result of cost savings as outlined in paragraph 14 (above).
 - iii. Further, any cost savings paid to the Borrower shall be applied first to unpaid developer fee up to the amount of the Developer Fee Cap then to Subordinate Deferred Developer Fee.
 - d. Developer fee payments shall be paid out incrementally: because this is a tax credit projects, the developer fee payments shall be in accordance with lender and investor requirements.
18. **Due Diligence** – The borrower, at borrower’s expense, shall provide the following: an appraisal, an environmental review, a lead paint and asbestos review, a prevailing wage consultant/monitor, a permanent and temporary relocation plan, and a rehabilitation capital needs assessment/property inspection report with a 15-year replacement reserve schedule.

19. **Environmental Requirements** – Currently HOME funds are planned for this project.

Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). HOME funds constitute a portion of the funding for the Project, and a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.

20. **Fees/Payments to Housing Commission** – Borrower will pay to the Housing Commission:

- a) **Underwriting Fee** – a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.
- b) **Legal Fee** – the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow. City Attorney's legal costs are estimated at **\$2,500** and are paid at close of escrow.
- c) **Compliance Monitoring Fee** – compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule.
- d) **Asset Management Fee** – the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
- e) **Third-Party Construction Review** – the Housing Commission requires a third-party review of the construction costs/budget to determine the reasonableness of construction costs. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$12,500** paid by the developer at close of escrow.
- f) **Third-Party Development Capacity Review** – for projects proposing a Housing Commission loan the Housing Commission requires a third-party review of the developer's capacity and the project financial feasibility. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$10,000** and are to be paid at close of escrow.
- g) **Bond Financing Fees** - the borrower is responsible for the payment of all costs under the bond financing including:

1. the Housing Commission's .0025 bond amount issuer fee (25 bps) at closing and paid annually until conversion to permanent financing (estimated at \$14,000,000 X .0025 = \$35,000); and
 2. the Housing Commission's annual bond administrative fee after conversion to permanent financing shall be the greater of \$10,000 or 12.5 basis points bonds of the initial amount of outstanding bonds upon conversion to permanent financing. Such fee is to be paid on the annual anniversary date of initial bond issuance
21. **Fees for Asset Management** (amounts not to exceed)-
- a. The Investor (Limited) Partner's fee will be no more than \$7,500 per year.
 - b. The General Partner fee shall be no more than \$7,500 per year.
 - c. Partnership fee increases will be capped at 3 percent annually.
 - d. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
22. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion. No additional Housing Commission funds, beyond this Letter of Intent's \$3,100,000, will be provided for this project in Housing Commission future Notices of Funds Available.
23. **HOME Investment Partnerships (HOME) Funds** -
Currently there are HOME funds planned for this project. It is estimated that the project will need to have twenty-two (22) HOME restricted units.
- a. HOME program regulations will be applicable.
 - b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
 - c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least of small portion of the HOME funds must remain in the IDIS system until the project is ready for occupancy.
24. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, floor and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insured for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee

of the private insurance. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.

25. **Loan Disbursement Schedule** – Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$3,100,000**) will be disbursed as follows:

- Up to 75 percent (**\$2,325,000**) at escrow closing.
 - Up to 15 percent (**\$465,000**) to be distributed at 50 percent construction completion,
 - Up to 5 percent (**\$155,000**) to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$155,000**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.
 - b. A portion of the HOME program funds must be withheld until issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.

26. **Management of the Development -**

- a. **Management Plan** – Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, in its reasonable discretion.
- b. **Approval of Management Fee** – The Borrower's proposed property manager's fee must be approved by the Housing Commission.
- c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
- d. **Manager's Units** – Experienced on-site management is required. The number of manager's units must be in conformance with TCAC requirements.

27. **Maximum Resident Service Expenses** – for the calculation of Housing Commission's residual receipts the maximum allowable resident supportive services expenses shall be **\$24,000** per year (with a 3 percent annual escalator) as shown in the Attachment A Proforma Operating Income/Expenses. Resident service expense is inclusive of the supportive services necessary to serve the permanent supportive housing units in the Project.

28. **Annual Budget Submittal** – three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.

29. **Permanent Supportive Housing** – The Borrower shall be solely responsible for all actions necessary, and use best efforts to obtain any proposed project based vouchers from the Housing Commission Rental Assistance Division.

30. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
31. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
- a. Replacement Reserve – The annual replacement reserve will be **\$40,000** ($\$500 \text{ per unit per year} \times 80 \text{ units} = \$40,000/\text{year}$).
 - b. Operating Reserve – The attached proforma shows operating reserve shall be capitalized at \$408,734 at conversion to permanent financing.
 - c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the project's operating reserve funds and/or from the project's replacement reserve funds.
32. **Section 3** - of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
33. **Security** - The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
- a) The deed of trust and security instruments securing the construction and permanent loan.
 - b) **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
 - c) **Cure Rights** – The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
34. **Sources of Housing Commission Funds**
The Housing Commission may fund the Housing Commission Loan from various sources including local, State and/or federal funds, including HOME Investment Partnerships (HOME) funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. Borrower should be familiar with the HOME Investment Partnerships Program rules and regulations, Federal Davis Bacon laws, and Section 3 requirements.
35. **Title (ALTA Lender's Policy)** – The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's loan.
36. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are

reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.

37. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by **November 18, 2016**, so that this letter of intent may be attached to the Housing Commission Board report.

ACKNOWLEDGED AND AGREED TO BY:

BORROWER, HDP New Palace LP

By: _____

E.

Print Name: _____

Emily S. Jacobs

Title: _____

Vice President

Date: _____

11/18/16

Attachment: Proforma

ATTACHMENT 8
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 and 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.

[Note: It is uncommon for the members of the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on 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.