



SAN DIEGO
HOUSING
COMMISSION

“We’re About People”

San Diego Housing Commission New Palace Hotel Loan Recommendation and Preliminary Bond Authorization December 2, 2016

Ted Miyahara
Director of Housing Finance
Real Estate Division

J.P. Correia
Real Estate Manager
Real Estate Division





SDHC – New Palace Hotel Partnership Development Recommendations

- That the San Diego Housing Commission (SDHC) recommend the Housing Authority of the City of San Diego (Housing Authority):
 - Approve a proposed residual receipts loan of up to \$3,100,000 to HDP New Palace L.P. for acquisition, rehabilitation, and preservation of 80 units for homeless seniors in an affordable rental housing development;
 - Loan contingent upon receiving necessary third-party funding;



SDHC – New Palace Hotel Partnership Development Recommendations (Cont.)

- Approve initial steps to issue up to \$14,000,000 in tax-exempt Multifamily Housing Revenue Bonds, including:
 - Issue Inducement Resolution;
 - Authorize Bond Allocation Application to California Debt Limit Allocation Committee (CDLAC);
 - Approve Bond Counsel & Financial Advisor;
 - Request City Council to hold Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing; and
- Authorize Executive Vice President & Chief of Staff, or designee, to:
 - Execute documents;
 - Implement approvals in a form approved by General Counsel;
 - Take actions necessary, convenient, and/or appropriate to implement these approvals upon advice of General Counsel;
 - Adjust financing terms/conditions as necessary, provided that the proposed \$3,100,000 maximum loan amount may not increase; and
 - Allow substitution of funds as necessary.



SDHC – New Palace Hotel Partnership Development Development Summary

- Proposed acquisition with rehabilitation and preservation of 80 Single-Room Occupancy (SRO) existing units
 - Located at 1814 5th Avenue (5th Avenue & Elm Street)
 - Three-story building with basement
 - Built in early 1900's
 - Rebuilt in 1991 after a fire
 - In 1992, prior owner obtained 9 percent tax credits
- Development details are on Table #1, page 2 of SDHC Board report





SDHC – New Palace Hotel Partnership Development Development Summary (Cont.)

- Developer is Housing Development Partners (HDP)
 - SDHC's nonprofit affiliate
 - Experienced developer
- HDP purchased New Palace Hotel in January 2016 with Local Initiatives Support Corporation (LISC) bridge financing.
- SDHC provided HDP with 79 Federal Project-Based Housing Vouchers for homeless seniors.
- Development Team summary on Table #2, page 5 of SDHC Board report.



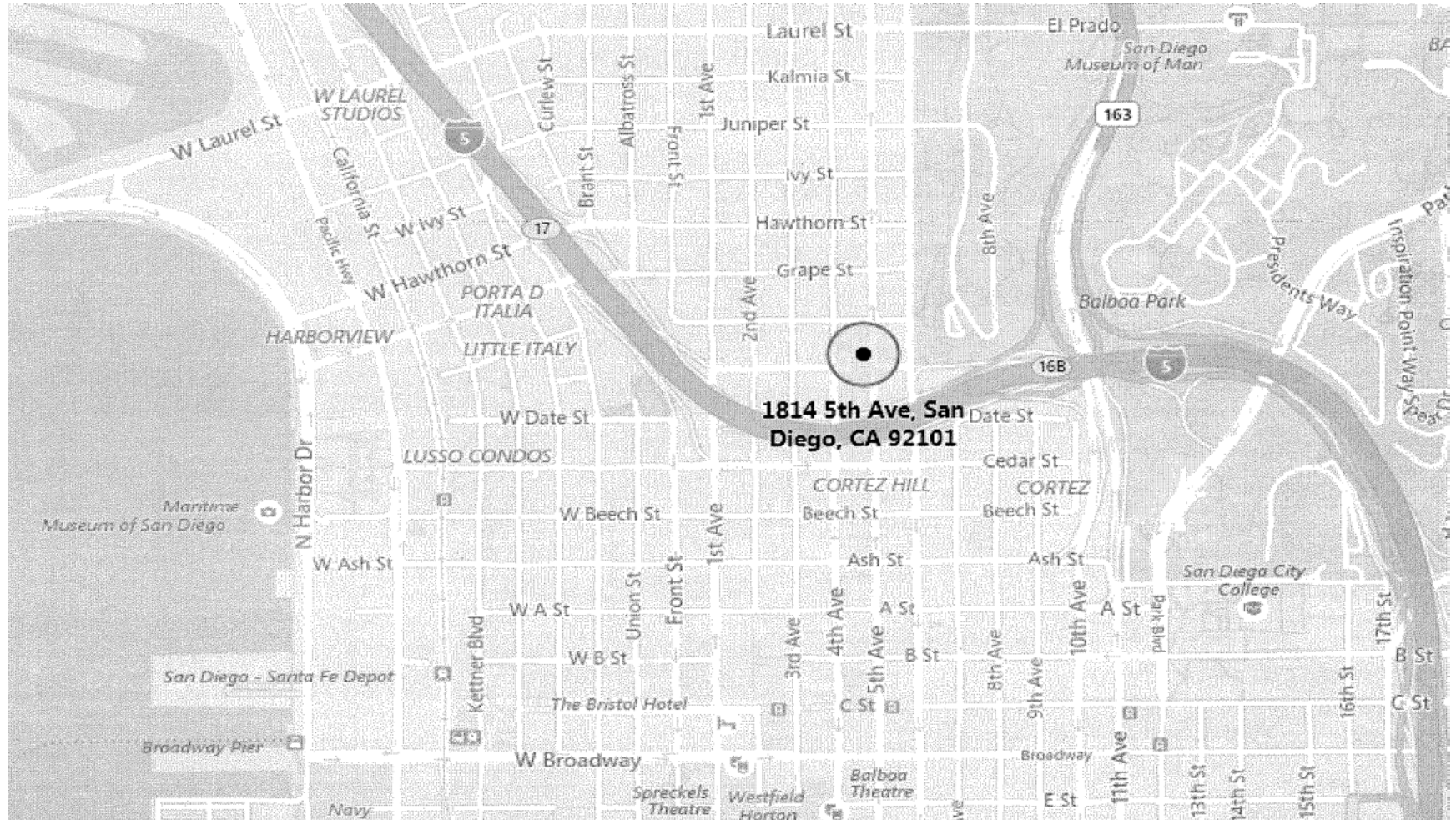
SDHC – New Palace Hotel Partnership Development Development Summary (Cont.)

- HDP Proposal:
 - Obtain CDLAC approval for \$14,000,000 tax-exempt Multifamily Housing Revenue Bond allocation.
 - Obtain Tax Credit Allocation Committee (TCAC) approval for \$7,439,997 in 4 percent tax credits.
 - Payoff the existing LISC bridge loan.
 - Sell the property to single-asset entity “HDP New Palace L.P.”
 - Complete the rehabilitation to convert the existing 80 SROs into 79 affordable studio units and one manager’s unit.
- Prevailing wages will apply.



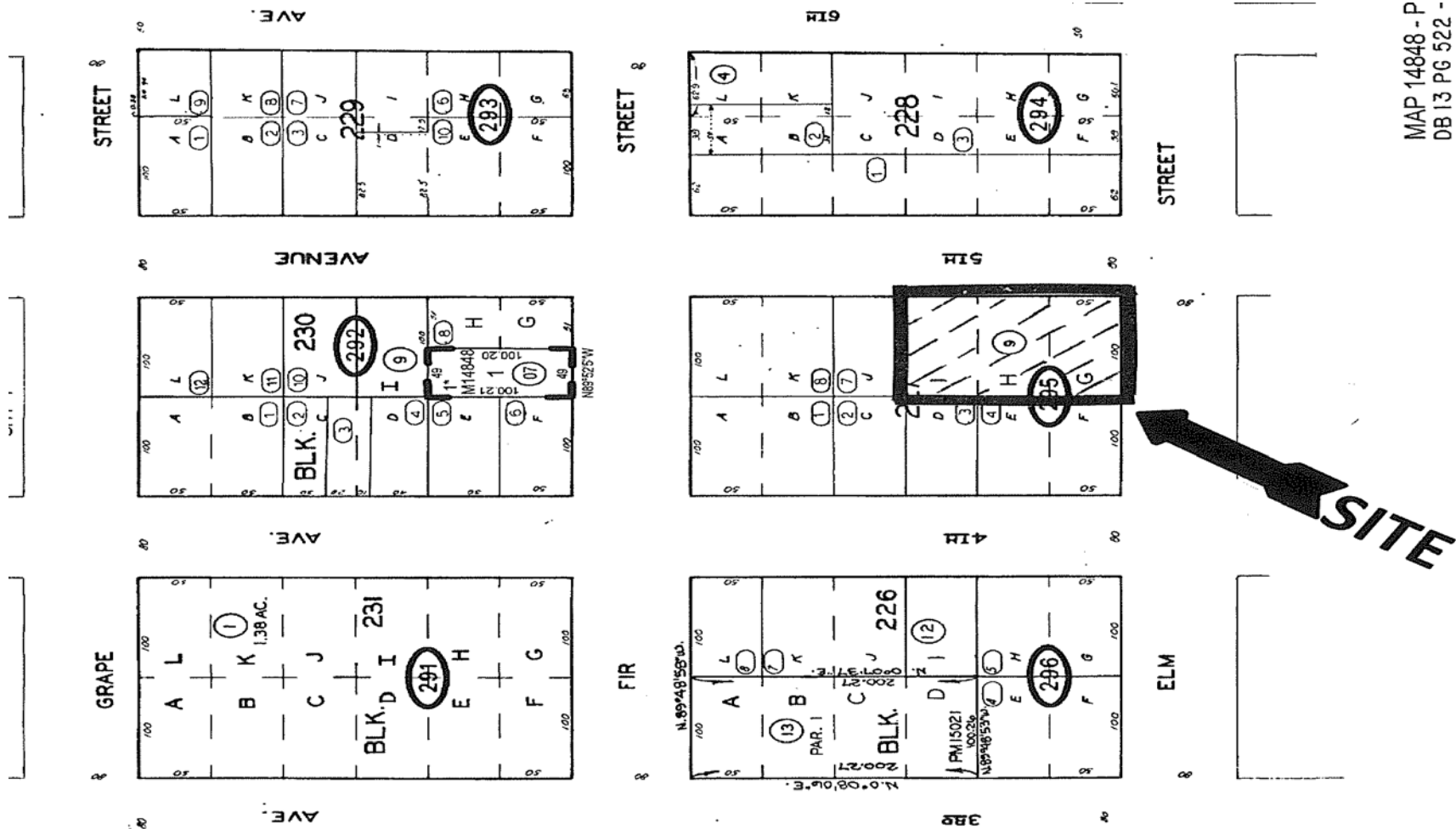
SDHC – New Palace Hotel Partnership Development

Location Map – 1814 5th Avenue, San Diego, CA



SDHC – New Palace Hotel Partnership Development

Location Map – 1814 5th Avenue, San Diego, CA



MAP 14848 - P
DB 13 PG 522 -



SDHC – New Palace Hotel Partnership Development Site Photos



SDHC – New Palace Hotel Partnership Development Site Photos (Cont.)



SDHC – New Palace Hotel Partnership Development Site Photos (Cont.)



SDHC – New Palace Hotel Partnership Development

Estimated Permanent Financing Sources and Uses

Sources of Funds	Amount
Tax Exempt Bond Financed Loan	\$4,497,317
Housing Commission Proposed Loan	3,100,000
California Housing Finance Agency Special Needs Housing Program	1,400,000
Civic San Diego Loan	1,960,000
HDP/Seller's Note	1,740,739
HDP Deferred Fee	1,212,691
Four Percent Tax Credits	7,439,997
Existing Replacement Reserves	48,000
Total	\$21,398,744

Uses of Funds	Amount
Acquisition	\$7,520,000
Construction Hard Costs	7,479,274
Soft Costs	2,096,718
Financing	1,047,447
Bond and Tax Credit Costs	265,919
Reserves	489,386
Developer Fee	2,500,000
Total	\$21,398,744

- Estimated Total Development Cost Per Unit (for 80 Units) = \$267,484



SDHC – New Palace Hotel Partnership Development Affordability

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 Housing Vouchers



SDHC – New Palace Hotel

Partnership Development

Development Timeline

Milestone	Estimated Date
• Housing Authority Preliminary Review	December 13, 2016
• City Council TEFRA Hearing	December 13, 2016
• CDLAC Application for Bond Allocation	December 2016
• TCAC Application for Tax Credits.	December 2016
• CDLAC & TCAC Allocation Meetings. .	March 15, 2017
• Housing Commission Final Review. . .	April 2017
• Housing Authority Final Review.	May 2017
• Estimated Escrow/Financing Closing	June 2017
• Estimated Construction Start	July 2017
• Estimated Construction Completion . .	July 2018



SDHC – New Palace Hotel Partnership Development Bond Issuance Summary

- Proposed bond issuance up to \$14,000,000.
- Developer responsible for paying all costs of issuing bonds.
- Issuance pursuant to SDHC's bond policy.
- Bonds issuance will not create financial liability to SDHC, or to Housing Authority or to City.
- Neither full faith and credit nor taxing power of the City nor full faith and credit of the Housing Authority will be pledged to payment of the bonds.
- Security for the repayment of the bonds will be limited to specific private revenue sources of the development.



SDHC – New Palace Hotel Partnership Development

