



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: June 11, 2021

HCR 21-069

SUBJECT: Loan Recommendation for the Iris at San Ysidro Apartments

COUNCIL DISTRICT(S): 8

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Colin Miller (619) 578-7429

REQUESTED ACTION:

Approve a proposed residual receipts loan in an amount not to exceed \$2,300,000 to Iris at San Ysidro L.P., a California limited partnership, to facilitate the acquisition and new construction of Iris at San Ysidro Apartments, a transit-oriented development to be located at 1663 Dairy Mart Road, San Ysidro, CA 92173, which will consist of 99 units that will remain affordable for 55 years, of which 15 units will be permanent supportive housing for families experiencing homelessness, and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The development will be located at 1663 Dairy Mart Road, within the San Ysidro Community Plan and within a half mile of the Iris Trolley Station.
- The developer is National Community Renaissance of California (National CORE), an experienced nonprofit developer that is in full compliance on its previous Housing Commission-funded loans.
- On March 11, 2020, Housing Commission staff provided a preliminary recommendation of award of a residual receipts loan up to \$2,300,000, subject to Housing Commission Board approval, and 25 federal Project-Based Housing Vouchers to help low-income tenants pay their rent at Iris at San Ysidro.
- Pursuant to restrictions from a County of San Diego "No Place Like Home" (NPLH) third-party loan, 15 of the Iris's one-bedroom units will be set aside as permanent supportive housing for adults experiencing homelessness.
- Total development cost of the proposed development is estimated at \$50,104,522.
- Total development cost per residential unit is estimated at \$501,045.
- The Housing Commission's proposed subsidy per unit would be \$23,000.
- The proposed use of federal housing vouchers requires payment of Davis-Bacon prevailing wages.
- The developer plans to demolish three existing buildings consisting of a storage building and two occupied residential buildings. In accordance with state and federal relocation regulations, the developer will provide relocation assistance to all the residents.
- If the proposed residual receipts loan is approved, then the developer could apply for 9 percent tax credits from the California Tax Credit Allocation Committee (CTCAC) on July 1, 2021, for a September 29, 2021 CTCAC allocation meeting.
- It is estimated that escrow could close in October 2021, construction could start in February 2022, and construction could complete in August 2023.



REPORT

DATE ISSUED: June 3, 2021

REPORT NO: HCR21-069

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 11, 2021

SUBJECT: Loan Recommendation for the Iris at San Ysidro Apartments

COUNCIL DISTRICT: 8

REQUESTED ACTIONS

Seven-day advance notice of San Diego Housing Commission Hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(a)(b) for Staff Recommendations No. 1.

Approve a proposed residual receipts loan in an amount not to exceed \$2,300,000 to Iris at San Ysidro L.P., a California limited partnership, to facilitate the acquisition and new construction of Iris at San Ysidro Apartments, a transit-oriented development to be located at 1663 Dairy Mart Road, San Ysidro, CA 92173, which will consist of 99 units that will remain affordable for 55 years, of which 15 units will be permanent supportive housing for families experiencing homelessness, and one unrestricted manager's unit.

STAFF RECOMMENDATIONS

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board), take the following actions as described in this report:

- 1) Approve a proposed residual receipts loan in an amount not to exceed \$2,300,000 to Iris at San Ysidro L.P., a California limited partnership, to facilitate the acquisition and new construction of Iris at San Ysidro Apartments (Iris), a transit-oriented development to be located at 1663 Dairy Mart Road, San Ysidro, CA 92173, which will consist of 99 units that will remain affordable for 55 years for households with income up to 60 percent of San Diego's Area Median Income (AMI), of which 15 units will be permanent supportive housing for families experiencing homelessness, and one unrestricted manager's unit.

The Housing Commission's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report. Such third-party funding commitments will be subject to the Housing Commission General Counsel's approval.

- 2) Authorize the President and Chief Executive Officer (President & CEO), or designee:
 - a. To execute any and all documents necessary to effectuate the transaction and implement the project in a form approved by the General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon advice of the General Counsel.

- 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 \$2,300,000 maximum loan amount may not increase.
- c. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, 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 the General Counsel.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 –Development Details

Address	1663 Dairy Mart Road, San Ysidro, CA 92173
Council District	District 8
Community Plan Area	San Ysidro Community Planning Group
Developers	National Community Renaissance of California (National CORE)
Development Type	New Construction
Construction Type	Type VA
Parking Type	Surface (104 parking spaces)
Housing Type	Transit-Oriented Development (TOD) Family Nearest trolley station located 0.5 miles from the property, Iris Trolley station (see Attachment 2 Site Map)
Lot Size	1.66 acres
Units	100
Density	60.2/acre (100 units ÷ 1.66 acres = 60.24 per acre)
Unit Mix	42 one-bedroom, 32 two-bedroom, 26 three-bedroom
Gross Building Area	115,424
Net Rentable Area	75,939
Commercial/Retail Space	None
Project Based Housing Vouchers (PBV)	25 PBV requested from the Housing Commission for families with low income, not permanent supportive housing

The Development

The Iris at San Ysidro is a proposed 100-unit, new construction, affordable, transit-oriented, family development with a permanent supportive housing component. Once completed it will consist of 42 one-bedroom, 32 two-bedroom and 26 three-bedroom apartments, including one unrestricted manager's unit. National CORE was awarded 25 Project-Based Housing Vouchers for low-income families with income at or below 30 percent of San Diego's Area Median Income (AMI). These tenants will be selected from the Housing Commission's Project-Based Housing Voucher waiting list and will receive supportive services from Hope through Housing Foundation. These 25 units assist families with low income; they

are not permanent supportive housing units for families experiencing homelessness. Pursuant to restrictions from a County of San Diego “No Place Like Home” (NPLH) third-party loan, 15 of the Iris’s one-bedroom units will be set aside as permanent supportive housing for adults experiencing chronic homelessness, at risk of chronic homelessness, or at risk of homelessness with a serious mental disorder, with income up to 25 percent of San Diego’s Area Median Income (AMI)..

The building will employ type V-A wood frame construction over four stories. The single structure will be built on grade and feature 104 surface parking spaces.

The development will be located at 1663 Dairy Mart Road, within the San Ysidro Community Plan and within a half mile of the Iris Trolley Station (see Attachment 2 Site Map) – qualifying the site as part of the City’s Transit Planning Area. The development is designed to function as a pedestrian-friendly housing option ideal for working persons and households interested in using public transportation, and related sustainable alternatives, as part of their transportation plan. Developers are incorporating several features designed to assist “last mile” solutions that connected residents to public transportation. Resident will be provided access to electric vehicle charging station spaces, bike racks and bike lockers at both the development site and the nearby trolley station. In addition to the trolley, the site is served by a Metropolitan Transit System bus line and features easy connections to nearby health and wellness facilities, senior centers and neighborhood eateries.

Services

Iris at San Ysidro residents will have access to a range of dedicated permanent supportive housing and general community services. Residents referred as part of the County of San Diego’s NPLH program will be directed mental and health services provided by the County directly or through a subcontracted lead service provider. Depending on client need, these services could include case management, crisis counseling, ongoing mental health care peer support, links to other mental or dental care, enrollment in Medi-Cal or other public assistance, and training workshops teaching cooking, unit maintenance, money management and other life skills.

All residents will have access to a range of organized community activities, including social events and celebrations, health and wellness classes, and financial education. Hope through Housing Foundation, a National CORE-affiliated nonprofit that has been providing resident services at many of their properties, has been engaged to act as the service coordinator.

Developer’s Request

In response to the Housing Commission’s Fiscal Year (FY) 2020 Notice of Funding Availability (NOFA), Iris at San Ysidro, LP and National CORE submitted an application for a loan and federal Project-Based Housing Vouchers (PBV) for the Iris development. On March 11, 2020, Housing Commission staff provided a preliminary recommendation of award of a residual receipts loan up to \$2,300,000, subject to Housing Commission Board approval, and 25 PBVs for the 100-unit Iris development.

The nonprofit developer, National CORE, proposes to construct 100 new apartment units, with financing that would include the proposed Housing Commission loan, a 9 percent tax credits allocation from the California Tax Credit Allocation Committee (CTCAC) , an NPLH loan from the County of San Diego, and other necessary third-party financing as described in this report.

The Property

National CORE holds a purchase option for the development site at 1663 Dairy Mart Road in San Ysidro (Attachment 2 Site Map). The 1.66-acre, triangular lot is currently improved with two single-family homes and a large storage building. The development plan calls for all existing structures to be razed and all current residents to be relocated, subject to a relocation plan conforming to the relevant California Debt Limit Allocation Committee (CDLAC) and State regulations.

Appraisal

An October 30, 2020, appraisal of the subject site, conducted by Kinetic Valuation Group, valued the property at \$6,000,000.

Prevailing Wages

Iris at San Ysidro's proposed use of 25 U.S. Department of Housing and Urban Development Project-Based Housing Vouchers, administered by the Housing Commission, will require the project to pay prevailing wages.

Project Sustainability

Iris at San Ysidro will be constructed in conformance with the California Tax Credit Allocation Committee's (CTCAC) minimum energy efficiency standards. The developers will achieve a minimum LEED Silver or equivalent certification. Planned green features include energy-efficient appliances and water-saving volatile organic compound (VOC) paints. Landscape architecture will be designed using drought-tolerant and native plants.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. If HOME Investment Partnerships Program funds are used to fund the development, these accessible units will satisfy the HOME accessibility requirement in 5 percent of the units, plus an additional 2 percent of the units accessible for residents with visual and/or hearing impairment.

Relocation

The developer plans to demolish three existing buildings, consisting of a storage building and two occupied residential buildings. In accordance with state and federal relocation regulations, the developer will provide relocation assistance to all residents.

Development Team

The developer is National Community Renaissance of California (National CORE). The proposed borrower will be Iris at San Ysidro L.P., which will have National CORE as its General Partner and a to-be-determined tax credit investor limited partner (Attachment 3). National CORE is an award-winning nonprofit corporation headquartered in Rancho Cucamonga, California. It was established in 1992. National CORE has more than 8,460 rental units under ownership in four states, including 6,700 rental units in Southern California. It is a vertically integrated company with in-house construction and property management. National CORE has acted as the developer on previous affordable housing developments that utilized Housing Commission loans. National CORE is in full compliance on its previous Housing Commission loans. Based upon the developer's past experience and performance, Housing Commission staff have determined that the developer has the capacity to successfully complete the proposed Iris at San Ysidro development.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developers	Iris at San Ysidro, LP. & National Community Renaissance of California (National CORE)
Owner/Borrower	Iris at San Ysidro, LP
Managing General Partner	NCRC ISY GP LLC
Tax Credit Investor Limited Partner	To Be Determined
Architect	Studio E Architects
General Contractor	National CORE
Property Management	National CORE
Construction and Permanent Lender	To Be Determined

FINANCING STRUCTURE

The Iris at San Ysidro has an estimated total development cost of \$50,113,367 (\$501,134/unit). Financing will include a combination of federal 9 percent tax credits, No Place Like Home funding from the County of San Diego, a proposed \$2,300,000 Housing Commission loan, and \$1,100,000 in deferred developer fee. The estimated permanent total development cost sources and uses are detailed in the pro forma attached to this report (Attachment 4), and summarized in Table 3 below.

Table 3 – Iris at San Ysidro, LP Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (third party lender)	\$12,660,111	Acquisition	\$ 6,288,000	\$ 62,880
County of San Diego NPLH residual loan	3,290,265	Construction costs \$31,708,448 Contingency + 1,585,422 Total construction \$33,293,870	33,293,870	332,939
Housing Commission proposed loan	2,300,000	Financing costs	3,120,571	31,206
RTCIP/DIF fee waivers	403,707	Other soft costs	2,340,799	23,408
Deferred Developer Fee	1,100,000	Permits and fees	2,275,923	22,759
Nine percent tax credit equity	30,350,439	Total reserves	585,359	5,854
		Developer Fee	2,200,000	22,000
Total Development Cost	\$50,104,522	Total Development Cost (TDC)	\$50,104,522	\$501,045

The Housing Commission's proposed \$2,300,000 residual receipts loan will be funded with \$2,300,000 from the City of San Diego's Affordable Housing Fund, which the Housing Commission administers. The final determination of Housing Commission funding sources will be made by the Housing Commission's President & CEO, or designee, contingent upon budget availability. The proposed loan terms are summarized at Attachment 5.

The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission's loan.

Developers' Fee

\$2,200,000	Gross Developer's Fee
-1,100,000	(minus) Deferred Developer Fee
\$1,100,000	Net Cash paid from Development Sources

On April 25, 2017, the Housing Authority approved the "Request for Approval of Updated Developer Fees" (HAR17-011). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. That report at its Attachment 1 states: "Developer fee for 4% tax credits: in project costs 15% of eligible basis..." For this development the developers are proposing a \$2,200,000 total developer fee, which complies with HAR17-011. The net cash developer fee shall be \$1,100,000 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee. The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff have identified development cost performance indicators that are used to evaluate proposed developments 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 – Iris at San Ysidro Key Performance Indicators

Development Cost Per Unit	\$50,140,522 / 100 units	\$501,045
Housing Commission Subsidy Per Unit	\$2,300,000 / 100 units	\$23,000
Acquisition Cost Per Unit	\$6,288,000 / 100 units	\$62,880
Gross Building Square Foot Hard Cost	\$33,293,870 / 115,424 square feet	\$288
Net Rentable Square Foot Hard Cost	\$33,293,870 / 75,939 square feet	\$438

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable 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. Similar construction-type developments (completed or approved) over recent years are listed in Table 5.

These developments are similar in terms of new construction, target population, and construction type and are provided as a comparison to the subject Iris at San Ysidro development.

Factors affecting the total development cost for the subject development include higher construction interest costs related primarily to the timing of the availability of state funds at conversion to permanent financing compared to construction close, and the effect of prevailing wage on labor expenses.

Table 5 – Iris at San Ysidro Comparable Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Iris At San Ysidro (subject)	2021	42 one-bedroom, 32 two-bedroom, 25 three-bedroom , +1 manager's unit	100	Yes	\$50,113,367	\$501,134	\$23,000	\$288
Keeler Court	2019	10 studios 20 one-bedroom, 18 two-bedroom , 31 three-bedroom, +1 manager's unit	79	Yes	\$35,692,466	\$502,711	\$0	\$262
3Roots	2020	24 one-bedroom, 79 two-bedroom, 77 three-bedroom , +1 manager's unit	180	No	\$89,421,776	\$496,788	\$0	\$349
Southwest Village Apartments	2021	30 one-bedroom, 29 two-bedroom, 21 three-bedroom, + 1 manager's unit	81	Yes	\$40,314,147	\$497,706	\$0	\$367

AFFORDABLE HOUSING IMPACT

The Iris at San Ysidro will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit and bond regulatory agreements, which will restrict affordability of 99 of the 100 units for 55 years.

With the exception of the manager's unit, rents at the property will be restricted, ensuring affordability for households earning from 25 percent to 60 percent of AMI. Fifteen units will have rents affordable to persons experiencing chronic homelessness, at risk of chronic homelessness, or at risk of homelessness with a serious mental disorder, earning 25 percent or less of AMI. Thirty units will be affordable for families earning up to 30 percent of AMI. Twenty-one units will be affordable for families earning up to 50 percent of AMI. Thirty-three units will be affordable for families earning up to 60 percent of AMI.

Table 6 Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Gross Rents
1 BR (County NPLH Units)	25%	15	\$568
1BR	30%	5	\$682
1BR	50%	9	\$1,136.
1BR	60%	13	\$1,364
Subtotal One Bedroom Units		42	
2BR (13 Non-PSH S8)	30%	13	\$818
2BR	50%	7	\$1,363
2BR	60%	12	\$1,636
Subtotal Two Bedroom Units	--	32	
3BR (12 Non-PSH S8)	30%	12	\$945
3BR	50%	5	\$1,575
3BR	60%	8	\$1,890
Subtotal Three Bedroom Units	--	25	
			-
3 Bedroom Manager	-	1	-
Total Units	-	100	-

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the proposed Fiscal Year (FY) 2022 Housing Commission Budget, which will be presented to the Housing Authority of the City of San Diego for consideration on June 14, 2021. Approving this action will not change the FY 2022 total budget.

Estimated funding sources approved by this action will be as follows:

- Housing Commission loan (Inclusionary) funds – up to \$2,300,000
- Total Funding Sources – up to \$2,300,000

Estimated funding uses approved by this action will be as follows:

- Loans – up to \$2,300,000
- Total Funding Uses – up to \$2,300,000

Approving this action will further grant the President & CEO, 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.

Development Schedule

The estimated development timeline is as follows:

June 3, 2021

Loan Recommendation for Iris San Ysidro Apartments

Page 9

Milestones	Estimated Dates
<ul style="list-style-type: none">• CTCAC 9 percent tax credit application• CTCAC 9 percent tax credit allocation meeting• Estimated escrow/loan closing• Start of construction work• Completion of construction work	<ul style="list-style-type: none">• July 1, 2021• September 29, 2021• October 31, 2021• February 2022• August 2023

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On August 19, 2019, National CORE presented the proposed development as an action item to the San Ysidro Community Planning Group. The community-planning group approved the motion supporting the project on a vote of 6-3-1 in favor.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include National CORE as the developer, Hope through Housing as the service provider, the County of San Diego as a funder and partner for the supportive housing and services, the Housing Commission as a lender, and the San Ysidro Community Planning Group. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 99 new, affordable, transit-oriented rental homes for working San Diego families.

STATEMENT FOR PUBLIC DISCLOSURE

Developer Disclosure Statements for National Core are provided at Attachment 6

ENVIRONMENTAL REVIEW

California Environmental Quality Act

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b) (5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c) (3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required.

National Environmental Policy Act

Federal funds will constitute a portion of the funding for the project. A final reservation of federal funds shall occur only upon satisfactory completion of the 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 the National Environmental Policy Act (NEPA). The project obtained full NEPA clearance and received authorization from HUD on May 6, 2020 and July 8, 2020 respectively.

Respectfully submitted,

Approved by,



Colin Miller
Vice President, Multifamily Housing Finance
Real Estate Division

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

June 3, 2021

Loan Recommendation for Iris San Ysidro Apartments

Page 10

- Attachments:
1. Development Summary
 2. Site Map
 3. Organization Chart
 4. Developers' Project Pro Forma
 5. Proposed Loan Terms
 6. Developer's Disclosure Statement

Docket materials are available in the "Governance & Legislative Affairs" section of San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 - DEVELOPMENT SUMMARY

Table 1 –Development Details

Address	1663 Dairy Mart Road, San Ysidro, CA 92173
Council District	District 8
Community Plan Area	San Ysidro Community Planning Group
Developers	National Community Renaissance of California (National CORE)
Development Type	New Construction
Construction Type	Type VA
Parking Type	Surface (104 parking spaces)
Housing Type	Transit-Oriented Development (TOD) Family Nearest trolley station located 0.5 miles from the property, Iris Trolley station (see Attachment 2 Site Map)
Lot Size	1.66 acres
Units	100
Density	60.2/acre (100 units ÷ 1.66 acres = 60.24 per acre)
Unit Mix	42 one-bedroom, 32 two-bedroom, 26 three-bedroom
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Commercial/Retail Space	None
Project Based Housing Vouchers (PBV)	25 PBV requested from the Housing Commission for families with low income, not permanent supportive housing

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
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Owner/Borrower	Iris at San Ysidro, LP
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Tax Credit Investor Limited Partner	To Be Determined
Architect	Studio E Architects
General Contractor	National CORE
Property Management	National CORE
Construction and Permanent Lender	To Be Determined

Table 3 – Iris at San Ysidro, LP Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (third party lender)	\$12,660,111	Acquisition	\$ 6,288,000	\$ 62,880
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RTCIP/DIF fee waivers	403,707	Other soft costs	2,340,799	23,408
Deferred Developer Fee	1,100,000	Permits and fees	2,275,923	22,759
Nine percent tax credit equity	30,350,439	Total reserves	585,359	5,854
		Developer Fee	2,200,000	22,000
Total Development Cost	\$50,104,522	Total Development Cost (TDC)	\$50,104,522	\$501,045

Table 4 – Iris at San Ysidro Key Performance Indicators

Development Cost Per Unit	\$50,140,522 / 100 units	\$501,045
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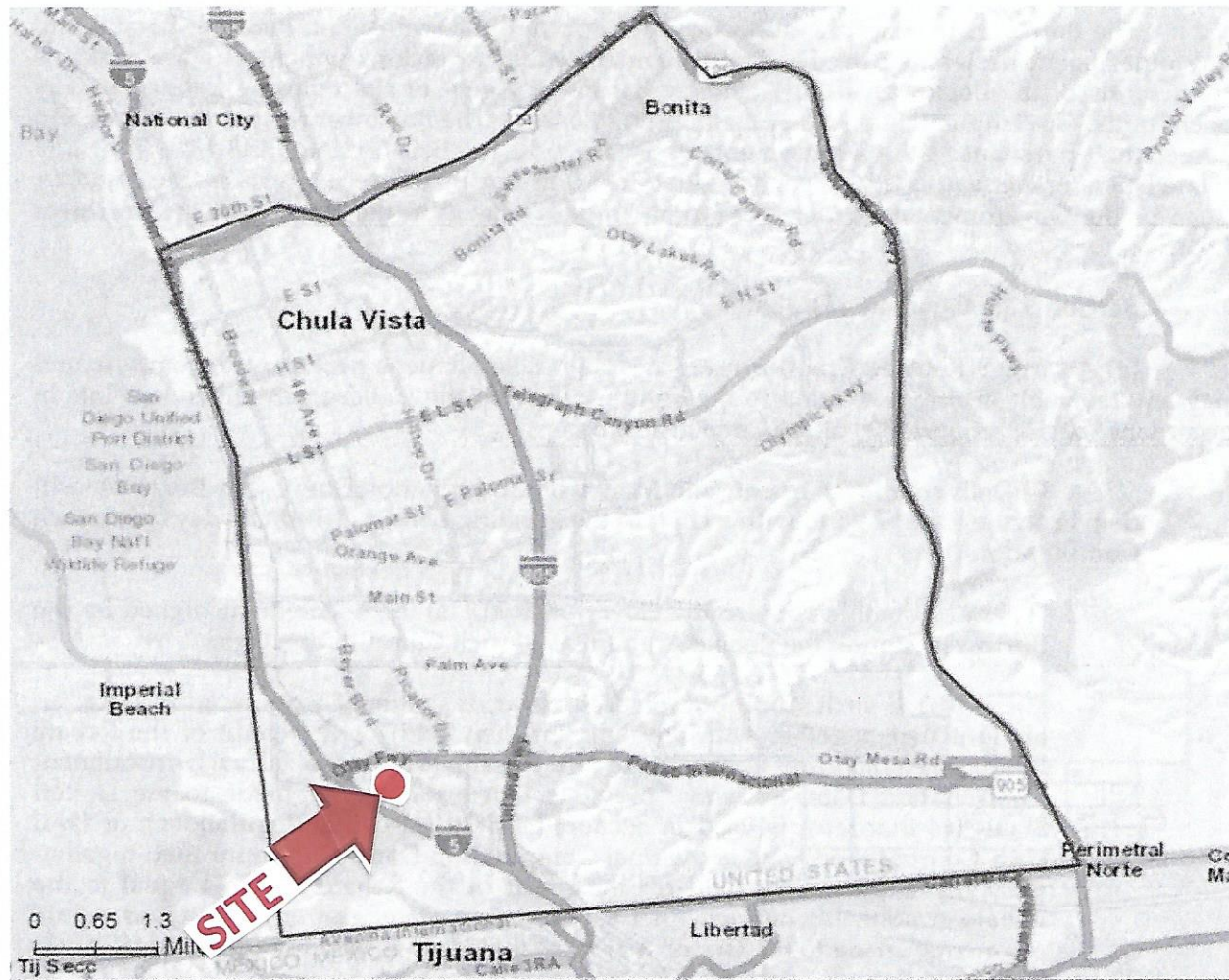
Table 5 – Iris at San Ysidro Comparable Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Iris At San Ysidro (subject)	2021	42 one-bedroom units, 32 two-bedroom units, 25 three-bedroom units, +1 manager's unit	100	Yes	\$50,113,367	\$501,134	\$23,000	\$288
Keeler Court	2019	10 studios 20 one-bedroom units, 18 two-bedroom units, 31 three-bedroom units, +1 manager's unit	79	Yes	\$35,692,466	\$502,711	\$0	\$262
Ulric Street	2019	12 studios, 21 one-bedroom units, 22 two-bedroom units, 29 three-bedroom units, +1 manager's unit	96	Yes	\$46,427,114	\$483,616	\$72,917	\$264

Table 6 Affordability and Monthly Estimated Rent Table

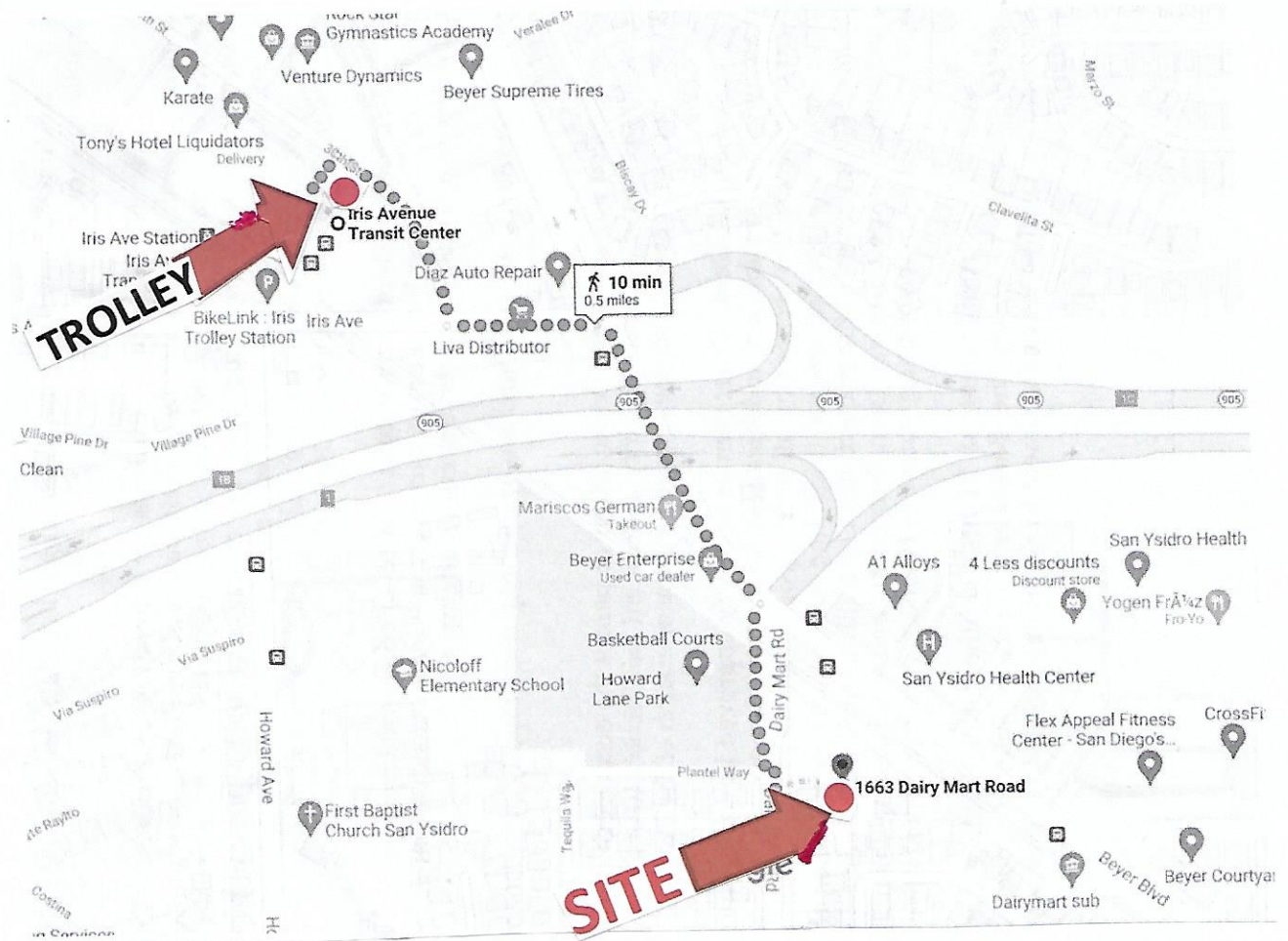
Unit Type	AMI	Number of Units	Gross Rents
1 BR (County NPLH Units)	25%	15	\$568
1BR	30%	5	\$682
1BR	50%	9	\$1,136.
1BR	60%	13	\$1,364
Subtotal One Bedroom Units		42	
2BR (13 Non-PSH S8)	30%	13	\$818
2BR	50%	7	\$1,363
2BR	60%	12	\$1,636
Subtotal Two Bedroom Units	--	32	
3BR (12 Non-PSH S8)	30%	12	\$945
3BR	50%	5	\$1,575
3BR	60%	8	\$1,890
Subtotal Three Bedroom Units	--	25	
Subtotal Affordable Units	--	99	-
3 Bedroom Manager	-	1	-
Total Units	-	100	-

ATTACHMENT 2 – SITE MAP



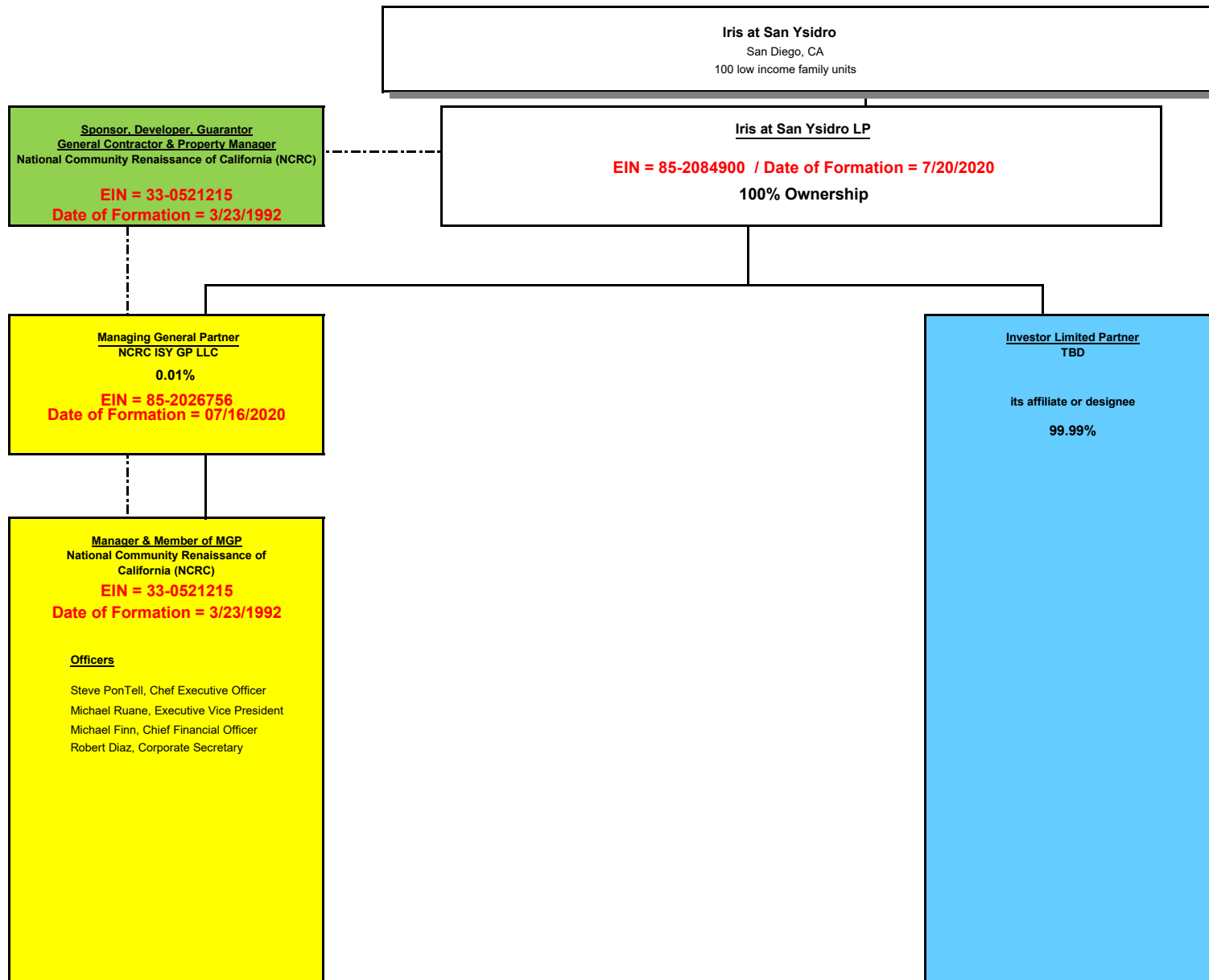
ATTACHMENT 2A – SITE MAP

IRIS AVENUE TRANSIT CENTER TO SITE (1663 DAIRY MART ROAD)



ATTACHMENT 4 – DEVELOPER’S PROJECT PRO FORMA

ATTACHMENT 3- ORGANIZATION CHART



ATTACHMENT 4 – DEVELOPER’S PROJECT PRO FORMA

SOURCES AND USES

Project Name: Iris at San Ysidro - 100
Project Financing: 9% Tax Credit/Large Family
Developer: National CORE
Number of Dwelling Units: 100
Gross Building Area: 110,091

SOURCES: CONSTRUCTION

Construction Loan (Tax-Exempt)	\$ -
Construction Loan (Taxable)	\$ 38,450,000
SDHC	\$ 2,070,000
City of San Diego EDA	\$ -
RTCIP/DIF Fee Waivers	\$ 403,707
Tax Credit Equity	\$ 7,610,396
HCD IIG Funds	\$ -
Deferred Costs/ Reserves	\$ 1,570,420
Total	\$ 50,104,523

SOURCES: PERMANENT

Permanent Loan	\$ 12,660,111
City of San Diego EDA	\$ -
SDHC	\$ 2,300,000
GP Equity	\$ -
RTCIP/DIF Fee Waivers	\$ 403,707
Tax Credit Equity	\$ 30,350,439
HCD IIG Funds	
NPLH Funds	\$ 3,290,265
Deferred Developer Fee	\$ 1,100,000
Total	\$ 50,104,523

USES: CONSTRUCTION

		PER UNIT
Acquisition Costs/Closing	\$ 6,288,000	\$ 62,880
Architecture/Fees & Permits	\$ 1,495,000	\$ 14,950
Construction Cost	\$ 33,413,868	\$ 334,139
Indirect Construction/Legal	\$ 3,055,923	\$ 30,559
Developer's Fee	\$ 2,200,000	\$ 22,000
Rent-Up Costs/Reserves	\$ 585,359	\$ 5,854
Financing Costs	\$ 3,066,372	\$ 30,664
Total	\$ 50,104,523	\$ 501,045

USES: PERMANENT

Acquisition Costs/Closing	\$ 6,288,000	\$ 62,880
Architecture/Fees & Permits	\$ 1,495,000	\$ 14,950
Construction Cost	\$ 33,413,868	\$ 334,139
Indirect Construction/Legal	\$ 3,055,923	\$ 30,559
Developer's Fee	\$ 2,200,000	\$ 22,000
Rent-Up Costs/Reserves	\$ 585,359	\$ 5,854
Financing Costs	\$ 3,066,372	\$ 30,664
Total	\$ 50,104,523	\$ 501,045

[illegible]

RENT SCHEDULE - CTCAC

Project Name: Iris at San Ysidro - 100
Project Financing: 9% Tax Credit/Large Family
County: San Diego
Developer: National CORE
of Dwelling Units: 100
Gross Building Area: 110,091

Unit Type	AMI	Number of Units	Square Footage	2021 TCAC Rents	Monthly Utility Allow.	Monthly Net Rent	Total Annual CTCAC Rents	Total # of Bedrooms
1BR	25%	15	576	\$ 568	\$ 70	\$ 197	\$ 35,460	15
1BR	30%	5	576	\$ 682	\$ 70	\$ 612	\$ 36,720	5
1BR	40%	0	576	\$ 909	\$ 70	\$ 839	\$ -	0
1BR	50%	9	576	\$ 1,136	\$ 70	\$ 1,066	\$ 115,128	9
1BR	60%	13	576	\$ 1,364	\$ 70	\$ 1,294	\$ 201,864	13
Subtotal:		42					\$ 389,172	42
2BR	30%	13	862	\$ 818	\$ 95	\$ 723	\$ 112,788	26
2BR	40%	0	862	\$ 1,091	\$ 95	\$ 996	\$ -	0
2BR	50%	7	862	\$ 1,363	\$ 95	\$ 1,268	\$ 106,512	14
2BR	60%	12	862	\$ 1,636	\$ 95	\$ 1,541	\$ 221,904	24
Subtotal:		32					\$ 441,204	64
3BR	30%	12	1,153	\$ 945	\$ 120	\$ 825	\$ 118,800	36
3BR	40%	0	1,153	\$ 1,260	\$ 120	\$ 1,140	\$ -	0
3BR	50%	5	1,153	\$ 1,575	\$ 120	\$ 1,455	\$ 87,300	15
3BR	60%	8	1,153	\$ 1,890	\$ 120	\$ 1,770	\$ 169,920	24
Subtotal:		25					\$ 376,020	75
Subtotal:		0					\$ -	0
3BR	Exempt-Mgr	1	1,153	\$ -	\$ -	\$ -	\$ -	3
Subtotal:		1					\$ -	0
CTCAC RENT Total:		100					1,206,396	181

Rents

Project Name: Iris at San Ysidro - 100
Project Financing: 9% Tax Credit/Large Family
Developer: National CORE
Number of Dwelling Units: 100
Gross Building Area: 110,091

Unit Type	AMI	Number of Units	Per Unit Monthly Net Rent	Per Unit Net S8 Rent	Per Unit Monthly S8 Premium	Total Monthly S8 Premium	Total Annual S8 Premium
1BR (PSH S8)	30%	5	\$ 612	\$ 1,103	\$ 491	\$ 2,455	\$ 29,460
1BR (S8)	40%	0	\$ 839	\$ 1,103	\$ 264	\$ -	\$ -
1BR (S8)	50%		\$ 1,066	\$ 1,103	\$ 37	\$ -	\$ -
1BR (S8)	60%		\$ 919	\$ 1,103	\$ 184	\$ -	\$ -
1BR (S8)	60%	0	\$ 1,294	\$ 1,103	\$ -	\$ -	\$ -
Unit Size (SF)	#REF!						
Subtotal:		5			\$ 976	\$ 2,455	\$ 29,460
2BR (Non-PSH S8)	30%	13	\$ 723	\$ 1,400	\$ 677	\$ 8,801	\$ 105,612
2BR (S8)	40%		\$ 996	\$ 1,400	\$ 404	\$ -	\$ -
2BR (S8)	50%		\$ 1,268	\$ 1,400	\$ 132	\$ -	\$ -
2BR (S8)	50%	0	\$ -	\$ 1,400	\$ 1,400	\$ -	\$ -
2BR (S8)	60%		\$ 1,541	\$ 1,400	\$ (141)	\$ -	\$ -
2BR (S8)							
Unit Size (SF)	#REF!						
Subtotal:		13			\$ 2,472	\$ 8,801	\$ 105,612
3BR (Non-PSH S8)	30%	12	\$ 825	\$ 2,060	\$ 1,235	\$ 14,820	\$ 177,840
3BR (S8)	40%		\$ 1,140	\$ 2,060	\$ 920	\$ -	\$ -
3BR (S8)	40%		\$ 1,140	\$ 2,060	\$ 920	\$ -	\$ -
3BR (S8)	50%		\$ 1,455	\$ 2,060	\$ 605	\$ -	\$ -
3BR (S8)	50%	0	\$ -	\$ 2,060	\$ 2,060	\$ -	\$ -
3BR (S8)	60%		\$ 1,770	\$ 2,060	\$ 290	\$ -	\$ -
3BR (S8)							
Unit Size (SF)	#REF!						
Subtotal:		12			\$ 6,030	\$ 14,820	\$ 177,840
3BR MGR	Exempt-Mgr						
Subtotal:		0					
Total:		30			\$ 9,478	\$ 26,076	\$ 312,912

Total Gross Revenue S8 Overhang	\$9,478	\$26,076	\$312,912
Total TCAC Gross Revenue			\$1,206,396
Total Gross Revenue (TC and S8 Overhang)			\$1,519,308

OPERATING EXPENSES

Project Name:

Project Name: Iris at San Ysidro - 100

Developer: National CORE

Number of Dwelling Units: 100

Gross Building Area: 110,091

Description	Annual	Monthly	Per Unit	Unit/Month
1. Management				
Management Fee	\$ 72,000	\$ 6,000.00	\$ 720.00	\$ 60.00
Management Total:	\$ 72,000	\$ 6,000.00	\$ 720.00	\$ 60.00
2. Administration				
Marketing/Credit Checks	\$ 3,000	\$ 250.00	\$ 30.00	\$ 2.50
Audit / File Mgmt (Compliance)	\$ 15,000	\$ 1,250.00	\$ 150.00	\$ 12.50
Legal	\$ 5,000	\$ 416.67	\$ 50.00	\$ 4.17
Office Expenses/ MISC	\$ 20,000	\$ 1,666.67	\$ 200.00	\$ 16.67
Other - Security	\$ 25,000	\$ 2,083.33	\$ 250.00	\$ 20.83
Administration Total:	\$ 68,000	\$ 5,666.67	\$ 680.00	\$ 56.67
3. Salaries and Benefits				
Manager/Asst. Manager	\$ 50,000	\$ 4,166.67	\$ 500.00	\$ 41.67
Main Personnel	\$ 35,000	\$ 2,916.67	\$ 350.00	\$ 29.17
Payroll Txns, Ins & Wkr. Comp.	\$ 29,750	\$ 2,479.17	\$ 297.50	\$ 24.79
Salaries and Benefits Total:	\$ 114,750	\$ 9,562.50	\$ 1,147.50	\$ 95.63
4. Maintenance				
General Maintenance/ Janitorial	\$ 6,000	\$ 500.00	\$ 60.00	\$ 5.00
Repairs Contract	\$ 15,000	\$ 1,250.00	\$ 150.00	\$ 12.50
Exterminating	\$ 3,600	\$ 300.00	\$ 36.00	\$ 3.00
Fire Protection/ Security	\$ 18,000	\$ 1,500.00	\$ 180.00	\$ 15.00
Elevator	\$ 7,000	\$ 583.33	\$ 70.00	\$ 5.83
Grounds Contract	\$ 15,000	\$ 1,250.00	\$ 150.00	\$ 12.50
Decorating/ Equipment Maintenance	\$ -	\$ -	\$ -	\$ -
Maintenance Total:	\$ 64,600	\$ 5,383.33	\$ 646.00	\$ 53.83
5. Utilities Not Paid by Tenants				
Electricity and Gas	\$ 30,000	\$ 2,500.00	\$ 300.00	\$ 25.00
Water/Sewer	\$ 75,000	\$ 6,250.00	\$ 750.00	\$ 62.50
Trash Removal	\$ 20,000	\$ 1,666.67	\$ 200.00	\$ 16.67
Utilities Total:	\$ 125,000	\$ 10,416.67	\$ 1,250.00	\$ 104.17
6. Insurance				
Property & Liability Insurance	\$ 35,000	\$ 2,916.67	\$ 350.00	\$ 29.17
Insurance Total:	\$ 35,000	\$ 2,916.67	\$ 350.00	\$ 29.17
7. Tax and Reserves				
Real Estate Taxes	\$ 2,000	\$ 166.67	\$ 20.00	\$ 1.67
Replacement Reserves	\$ 50,000	\$ 4,166.67	\$ 500.00	\$ 41.67
Tax and Reserves Total:	\$ 52,000	\$ 4,333.33	\$ 520.00	\$ 43.33
8. Other				
Case Manager	\$ -	\$ -	\$ -	\$ -
Licenses/ Permits	\$ -	\$ -	\$ -	\$ -
	\$ 1,000	\$ 83.33	\$ 10.00	\$ 0.83
Social Services	\$ 78,000	\$ 6,500.00	\$ 780.00	\$ 65.00
SDHC/HHSA Monitoring Fees	\$ 19,000	\$ 1,583.33	\$ 190.00	\$ 15.83
Other Total:	\$ 98,000	\$ 8,166.67	\$ 980.00	\$ 81.67
Operating Expenses Total:	\$ 629,350	\$ 52,445.83	\$ 6,293.50	\$ 524.46

Project Name: Iris at San Ysidro - 100
Project Financing: 9% Tax Credit/Large Family
Developer: National CORE
Number of Dwelling Units: 100
Gross Building Area: 110,091

Residential Income Infl. Rate:	2.50%	Laundry Inc/Month/Unit:	10
Laundry & Misc. Infl. Factor:	2.50%	Laundry, Misc Inc/Year:	12,000
Operating Expense Infl. Factor:	3.50%	Unit Operating Exp:	4,994
Real Estate Infl. Factor:	2.00%	Unit Property Taxes:	20
Vacancy Rate:	5.00%	Unit Social Services:	780
Number of Units:	100	Unit Replacement Reserve:	500

Conventional Loan Rate:	5.00%				
Conventional Loan Yrs:	35				
Conventional Loan Type:	AMORTIZED				
Debt Coverage Ratio:	1.220	Permanent Loan	Total	Per Unit	Percent
Cash Available for Debt Service:	766,728	City of San Diego EDA	\$12,660,111	126,601	28.44%
		GP Equity	0	0	0.00%
		RTC/P/DIF Fee Waivers	403,707	4,037	0.91%
		Tax Credit Equity	30,350,439	303,504	68.18%
Perm Loan Size	\$12,660,111	Deferred Developer Fee	1,100,000	11,000	2.47%
Loan Constant Per Each \$1 of Debt Svc	\$17	Development Costs Total:	44,514,258	445,143	100.00%

[illegible]

CASH FLOW ANALYSIS

Project Name: Iris at San Ys
Project Financing: 9% Tax Credit
Developer: National COR
Number of Dwelling Units: 100
Gross Building Area: 110,091

Assumptions		Public Agency Prorata Percentage Calculation w/ HACSB								Public Agency Prorata Percentage Calculation WITHOUT HACSB							
		CITY HOME		COUNTY HOME		HACSB		Total	% of PA Loans	% of TDC	Selected %	CITY HOME		COUNTY HOME		HACSB	
Residential Income Infl. Rate:	2.50%								#REF!	0.00%	0.00%						
Laundry & Misc. Infl. Factor:	2.50%								#REF!	0.00%	0.00%						
Operating Expense Infl. Factor:	3.50%								#REF!	0.00%	0.00%						
Real Estate Infl. Factor:	2.00%								#REF!	0.00%	0.00%						
Vacancy Rate:	5.00%								#REF!	0.00%	0.00%						
Number of Units:	100								#REF!	0.00%	0.00%						
								Total:	#REF!	#REF!	#REF!						

Iris at San Ysidro - 100

Tax Credit Calculation

	FEDERAL			CALIFORNIA		
	ACQUIS	CONST/ REHAB	TOTAL	ACQUIS	CONST/ REHAB	TOTAL
TOTAL ELIGIBLE COSTS	0	41,099,334	41,099,334	0	41,099,334	41,099,334
ELIGIBLE BASIS	0	41,099,334	41,099,334	0	41,099,334	41,099,334
THRESHOLD BASIS LIMIT			48,728,000			
REQUESTED ELIGIBLE BASIS	0	41,099,334	41,099,334	0	41,099,334	41,099,334
LESS: Voluntary Reduction for Tiebreaker		(13,203,484)	(13,203,484)			
TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS	0	27,895,850		0	27,895,850	
HIGH COST ADJUSTMENT (Y/N) Y	100.0%	130.0%		100.0%	100.0%	
ADJUSTED ELIGIBLE BASIS	0	36,264,605	36,264,605	0	27,895,850	27,895,850
APPLICABLE FRACTION*	100.0%	100.0%		100.0%	100.0%	
QUALIFIED CREDIT BASIS	0	36,264,605	36,264,605	0	27,895,850	27,895,850
LESS: Credit Reduction for Leveraging 0.00%	0	0	0			
ADJUSTED QUALIFIED CREDIT BASIS	0	36,264,605	36,264,605			
CREDIT RATE Federal Annual/Yr 1-3 State Year 4 - State	7.48%	9.00%		3.18% 3.46%	30.00% 0.00%	
MAXIMUM CREDIT AMOUNT PER COSTS Federal Annual/Yr 1-3 State Year 4 - State Total	0	3,263,814	3,263,814	0 0 0	8,368,755 0 8,368,755	8,368,755 0 8,368,755
ACTUAL TCAC CREDIT RESERVATION Federal Annual/Total State	N/A	N/A	3,263,814	N/A	N/A	8,368,755
MAXIMUM ALLOWABLE CREDITS Federal Annual/Total State	0	3,263,814	3,263,814			8,368,755
MAXIMUM ALLOWABLE - TEN YEAR TOTAL			32,638,144			8,368,755
	Federal Pricing		\$0.930	State Pricing		\$0.00
	Federal Equity		\$30,353,474	State Equity		\$0

ATTACHMENT 5
PROPOSED LOAN NON-BINDING COMMITMENT TERMS
SUMMARY

Iris at San Ysidro (Project)
1663 Dairy Mart Road
June 1, 2021

The San Diego Housing Commission ("Housing Commission") is pleased to submit this non-binding commitment term summary. The commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners ("Board of Commissioners") and, if necessary, the Housing Authority of the City of San Diego. 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 Iris San Ysidro L.P., a California limited partnership ("Borrower") with respect to the proposed new construction and permanent financing of an 100-unit development (with 99 affordable units and one unrestricted manager's unit) to be located at 1663 Dairy Mart Road, San Diego. Closing must occur within twenty-four (24) months of the Board of Commissioners 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 and shall prevail. Provided that the Housing Commission loan is approved by the Board of Commissioners, and if necessary by 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 pro forma which models financial projections of the Project.

The terms of the Housing Commission's proposed financing shall be as follows:

1. **Maximum loan amount (not to exceed)** - Up to \$2,300,000 as a residual receipts loan. Loan funds to be used for the construction and permanent financing of the Project.
2. **Interest Rate-** 4 percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** Annual payments on the loan shall equal 50 percent of the project's residual cash. In addition to the 50 percent residual cash payment the Borrower shall also pay a fixed \$10,000 annual payment to the Housing Commission. 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 following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

- (i) The year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year. "Limited Partnership Fees" shall be defined to include any and all partnership-related fees including but not limited to: Investor Partnership fees, Asset Management fees, Other Limited Partnership oversight fees, and General Partner Fees. Partnership fee increases will be capped at three (3) percent annually. Unpaid partnership fees shall not accrue and the Housing Commission will require the Limited Partnership Agreement to explicitly state that requirement.
- (ii) Eligible deferred developer fee, and
- (iii) Repayment of eligible development deficit and operating deficit loans. The Housing Commission Loan will be due and payable in full in 55 years.

5. Affordability-

- a. Restricted units must remain affordable for at least 55 years. At escrow 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.
- b. The affordability shall be as follows:

Unit Type	AMI	Units
One Bedrooms	25% AMI	15
One Bedrooms	30% AMI	5
One Bedrooms	50% AMI	9
One Bedrooms	60% AMI	13
Subtotal One Bedroom Units	--	42
Two Bedrooms	30% AMI	13
Two Bedrooms	50% AMI	7
Two Bedrooms	60% AMI	12
Subtotal Two Bedroom Units	--	32
Three Bedrooms	30% AMI	12
Three Bedrooms	50% AMI	5
Three Bedrooms	60% AMI	8
Subtotal Three Bedroom Units	--	25
Manager's Unit (Three Bedrooms)	--	1
TOTAL UNITS	--	100

- 6. **Purchase Option** – The developer has received additional points in the Notice of Funding Availability application for committing to provide the Housing Commission with the option to purchase the property at the end of the 15-year tax-credit compliance period.
- 7. **Alternate Funding-** Borrower shall also seek alternative funding, including but not limited to: an allocation of 4 percent tax-exempt Multifamily Housing Revenue Bonds, loan funds from the State of California Department of Housing and Community Development Multifamily Housing Program, along with 4 percent tax credits, and other necessary funding. Housing Commission legal counsel will determine if subsequent approvals for alternative financing structures are required by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San

Diego.

8. **Site Value** – In the event that the developer, Iris San Ysidro L.P., or its affiliate, acquires the land prior to Housing Commission loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan. Borrower will submit an updated appraisal report with an effective date that is no more than 90 days before the closing.
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 Costs Third-Party Review** -Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
 - a. **Contractor** – National Community Renaissance of California is the proposed General Contractor. The General Contractor shall competitively bid the construction work to at least three qualified subcontractors for each major trade involved in the Project's construction and shall be awarded to the lowest qualified and responsive bidder for each trade.
 - b. Borrower will submit copies of three qualified bids received from subcontractors for each trade.
 - c. 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.
 - d. Subcontractors - the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the construction of the project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - e. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.
 - f. 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.

- g. Insurance - prior to close of escrow, evidence of the General Contractor's 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 General Contractor's insurance policies.
-
- 11. **Tax Credit Equity-** Borrower will provide the Letter Of Intent with equity pricing from the low-income housing tax credit (LIHTC) investor within 90 days of closing.
 - 12. **First Mortgage-** Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of closing.
 - 13. **Cost Certification -** The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost Certifications completed/finalized.
 - 14. **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, then upon the construction loan closing, the excess funds shall be used as follows:
 - a. First, such 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 pay the Housing Commission Loan as set forth in Section 16 below.
 - c. Other Public Lenders - If the project financing includes other public lenders who may 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.
 - d. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.
 - 15. **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, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
 - c. Third, payment towards the Borrower's deferred developer fee. A deferred developer fee is currently modeled in the attached pro forma (Attachment A).

- d. Fourth, cost savings shall 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.
- e. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.

16. Developer Fee-

- a. Maximum Gross Developer Fee of \$2,200,000 to be paid from Development Sources.
 - There will be a \$1,100,000 Deferred Developer Fee to be paid from the gross developer fee amount of \$2,200,000.
 - There will be a Maximum Net Cash Developer Fee of \$1,100,000 to be paid from the gross developer fee amount of \$2,200,000.
- b. Additional developer fee provisions:
 - 1. If for any reason the Borrower does not collect the entire developer fee through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$1,100,000 must comply with the following:
 - a. Borrower must receive Housing Commission prior written approval of any amount of Deferred Developer Fee;
 - b. Any Housing Commission-approved Deferred Developer Fee amount must be calculated as per TCAC and SDHC guidelines
 - c. Housing Commission-approved Deferred Developer Fee shall be given priority over Housing Commission residual receipt payments.
 - 2. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- c. Developer fee payments shall be paid out incrementally. Because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.

17. **Due Diligence** - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review, and a relocation plan for the commercial tenants in the existing buildings that will be demolished upon commencement of construction of the Project. The Borrower shall provide the Housing Commission with an updated appraisal within 90 days of the estimated escrow closing date or a Letter of Intent from the third-party lender.

18. **Environmental Requirements** –

Federal funds will constitute a portion of the funding for the project. A final reservation of federal funds shall occur only upon satisfactory completion of the 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 the National Environmental Policy Act (NEPA). The project obtained full NEPA clearance and received authorization from HUD on June 14, 2020 and July 8, 2020 respectively. Currently 25 federal Project Based Housing Vouchers are planned for this Project. 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

federal funds for this Project.

19. **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.
 - c) **Compliance Affordability 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. Current annual affordability monitoring are as follows: $\$150 \times 99$ (Project units to be affordability monitored) = **\$14,850** per year. Additional training and assistance is currently at \$100 per hour.
 - 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) **Environmental Noticing Fee**- publishing/filing costs are to be paid at close of escrow.
20. **Fees for Asset Management** (amounts not to exceed)-
- a. As detailed in paragraph 4 (above), the year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. "Limited Partnership Fees" include Asset management fees (21(d)) related to the investor and general partner's management of the Project.
 - b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
 - c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission's President and CEO or his designee.
21. **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 and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent's \$6,000,000, will be provided for this project in any Housing Commission future Notices of Funds Available.

22. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission Loan using any HOME funds, then Borrower should be familiar with the HOME program's rules and regulations, Federal Davis Bacon law and Section 3.
23. **HOME Investment Partnerships (HOME) Funds** -
HOME funds may be utilized for this project. In the event that HOME funds are utilized:
- 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 a 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, flood 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 additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. 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 **\$2,300,000**) will be disbursed as follows:
- Up to 75 percent (**\$1,725,000**) at escrow closing.
 - Up to 10 percent (**\$230,000**) to be distributed at 50 percent construction completion,
 - Up to 10 percent (**\$230,000**) 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 (**\$115,000**) 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. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission loan using any HOME funds, then a portion of the HOME program funds must be withheld until final inspection approval 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. Loan Payments - Annual hard payments will not be required. Annual residual receipts payments at 50 percent of cash flow is required.

- a. Starting at the end of the first year after project completion, the Housing Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1, in the year immediately following the calendar year in which construction is completed.
- b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.

27. 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, at 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. There shall be one manager's unit.
- e. Marketing Plan – In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.

28. Maximum Resident Service Expenses & Case Management

For the calculation of Housing Commission's residual receipts the attached pro forma's operating expense budget models an annual \$78,000 Social Services expenditure with a 3 percent annual escalator). Increasing this amount will require prior Housing Commission written approval.

29. **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.
30. **Permanent Supportive Housing** - This project will have Twenty-Five (25) federal Project Based Vouchers (PBV) from the Housing Commission.
31. **Prevailing Wage**- It is anticipated that the Project will be subject to Federal Davis-Bacon prevailing wage rates because the federal Project Based Vouchers are being utilized for this Project.
32. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
33. **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. **Transition Reserve** – The attached pro forma models a capitalized transition reserve amount of **\$50,000**.
 - b. **Marketing/Lease-up Reserve** - The attached pro forma models a capitalized marketing/Lease-Up reserve amount of **\$70,000**.
 - c. **Operating Reserve** - The attached proforma models a three month operating reserve at **\$470,003** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission's Loan.
 - d. 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.
34. **Section 3**- In the event that the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then 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.
35. **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.
36. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to project lease up.
37. **Title (ALTA Lender's Policy)** -The Borrower shall acquire, at its sole cost and expense, an ALTA Lender's Policy for the Housing Commission Loan with endorsements acceptable to the Housing Commission.
38. **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.
39. **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 **June 2, 2021**, so that this letter of intent may be attached to the Housing Commission Board report.

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ACKNOWLEDGED AND AGREED TO BY:

National Community Renaissance of California

By: 

Print Name: Michael M Ruane

Title: Executive Vice President

San Diego Housing Commission

By: 

Print Name: Emily S. Jacobs

Title: Executive Vice President

Loan Terms Attachment:

Exhibit A - Developer's Proforma **Dated May 17, 2021**